



CITY OF LODI

Carnegie Forum
305 West Pine Street, Lodi

AGENDA – LODI FINANCING CORPORATION

Date: November 3, 1999

Time: 7:00 p.m.

For information regarding this Agenda please contact:

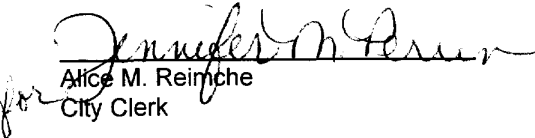
Alice M. Reimche

City Clerk

Telephone: (209) 333-6702

MEETING OF THE LODI FINANCING CORPORATION

- A. Call to Order
- B. Certificate of the Incorporator Designating Directors and Articles of Incorporation (information only)
- Res. No. LFC-1 C. Election of Officers
- Res. No. LFC-2 D. Adoption of Bylaws and Designation of Annual Meeting Date
- Res. No. LFC-3 E. Appointment of Counsel
- F. Application for Tax-Exempt Status – Authorize Filing of Request
- Res. No. LFC-4 G. Adoption of Financing Resolution
- H. Public Comments
- I. Adjournment


for Alice M. Reimche
City Clerk

LODI FINANCING CORPORATION

BOARD COMMUNICATION

AGENDA TITLE: Meeting of the Lodi Financing Corporation
MEETING DATE: November 3, 1999
PREPARED BY: City Attorney

RECOMMENDATION: That the Board approve the attached Resolution.

BACKGROUND: This memo is an omnibus memorandum covering the items that are listed on the agenda for the meeting of the Lodi Financing Corporation. While this particular format is somewhat unusual, all of the items are basically interrelated and therefore I felt it was appropriate to simply deal with the agenda by developing one memorandum to the Board.

The reason for the establishment of the Lodi Financing Corporation is really quite simple. In order to perform a financing transaction as is proposed, the transaction has to be bilateral. By that I simply mean it takes two parties to enter into the transaction that would result in the issuance of Certificates of Participation as proposed under the action taken by the City Council. The Lodi Financing Corporation represents that second party. The Lodi Financing Corporation was created in order to have that second party. It also is created in order to make very clear that the transaction is between parties who are solely involved in the environmental abatement program with a revenue stream being dedicated to that program consisting of recoveries from that particular program. This makes it very clear that no other City revenues are involved.

The City Clerk will call the meeting to order since the Corporation is basically meeting for the first time and undertaking its initial organizational activities prior to conducting any business. In the packet you have been provided with various documents which indicate the existence of the Corporation and the initial designation of Directors as undertaken by the incorporator. Those documents consisting of the Certificate designating the Directors of the Corporation and the Articles of Incorporation are presented to you for information only.

The first action item, Item C on the agenda, would be the election of officers. This activity will be conducted by the City Clerk. It is staff's recommendation that you follow the pattern that the City has established relative to this type of corporation and elect the Mayor and the Mayor Pro Tempore as the President and Vice-President of the Corporation. The Treasurer and Secretary are recommended to be the Finance Director and the City Clerk respectively.

Now that the officers of the Corporation have been elected, the remainder of the meeting will be conducted by the President of the Corporation. Item No. D on the agenda is the adoption of the Bylaws of the Corporation and designation of the annual meeting as it is contained in the Bylaws. You have been provided a copy of the Bylaws of the Lodi Financing Corporation as well as a copy of the Bylaws of the

APPROVED: _____
H. Dixon Flynn -- City Manager

Lodi Public Improvement Corporation. The Lodi Public Improvement Corporation was the entity that the City partnered with in completing the recent financing transaction involving the City's Electric Utility. You have been presented with both copies of the bylaws in order for you to see that the Corporations are not dissimilar and in fact have bylaws which are very nearly identical. This particular comparison opportunity was requested by Council Member Nakanishi. The action of the Board that is requested is the adoption of Resolution No. LFC-2 which adopts the Bylaws.


Item No. E on your agenda is another housekeeping chore to be undertaken by the Board. It is simply the adoption of Resolution No. LFC-3 that appoints the position of City Attorney as Counsel to the Corporation. This particular appointment is consistent with how the City has handled its other Corporation. Staff recommends adoption of the Resolution.

Item F on the agenda is a request to take minute action. What is being asked of the Board here is simply to authorize staff to make the necessary filings to deal with the tax exempt status of the Corporation and to request a refund of fees that were initially paid at the time of incorporation. Again this is merely a housekeeping measure and action by the Board would allow staff to undertake the appropriate actions.

Item G on your agenda is the action item which results in the approvals given by the City Council to become effective. By adopting the documents that are presented to the Board, the transaction becomes the bilateral transaction that we have spoken of and can then be fully implemented. The documents presented to you reflect the transaction as it was laid out in the memorandum and proceedings undertaken by the City Council. It is recommended that you adopt Resolution No. LFC-4 which would create the bilateral circumstance previously articulated.

Funding: Not applicable.

Respectfully submitted,


Randall A. Hays

RESOLUTION NO. LFC-1

A RESOLUTION ELECTING OFFICERS OF
THE LODI FINANCING CORPORATION

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WHEREAS, under the organizational procedures of the Lodi Financing Corporation, an annual meeting of Directors shall be held and officers elected.

NOW, THEREFORE, BE IT RESOLVED by the Directors of the Lodi Financing Corporation that the following persons are elected to the offices set forth opposite their names below as officers of the Corporation, to serve until the election and qualification of their successors as provided in Article III, Section 303, of the bylaws of the Corporation:

<u>Name</u>	<u>Title</u>
Keith Land	President
Stephen J. Mann	Vice President
Vicky McAthie	Treasurer
Alice M. Reimche	Secretary

Dated: November 3, 1999

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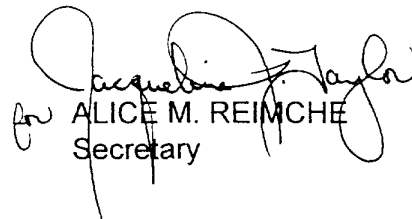
I hereby certify that Resolution No. LFC-1 was passed and adopted by the Board of Directors of the Lodi Financing Corporation in a regular meeting held November 3, 1999, by the following vote:

AYES: DIRECTORS – Hitchcock, Mann, Nakanishi, Pennino and Land
(President)

NOES: DIRECTORS – None

ABSENT: DIRECTORS – None

ABSTAIN: DIRECTORS – None


for ALICE M. REIMCHE
Secretary

RESOLUTION NO. LFC-2

A RESOLUTION ADOPTING BYLAWS AND
DESIGNATING TIME AND PLACE OF
ANNUAL MEETING OF THE LODI
FINANCING CORPORATION

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RESOLVED, by the Board of Directors of the Lodi Financing Corporation, that the Bylaws of the Lodi Public Improvement Corporation, in the form hereto attached and incorporated herein by reference, are hereby adopted and approved and shall stand as the Bylaws of this Corporation until valid amendment thereof; and

BE IT FURTHER RESOLVED, by the Board of Directors of the Lodi Financing Corporation that the first Wednesday in December of each year at the hour of 7:00 p.m., or as soon thereafter as can be heard, at the Carnegie Forum, 305 West Pine Street, Lodi, California, is hereby appointed as the time and place for the annual meeting of this Board pursuant to Article III, Section 3.05 of the Bylaws of this Corporation.

Dated: November 3, 1999

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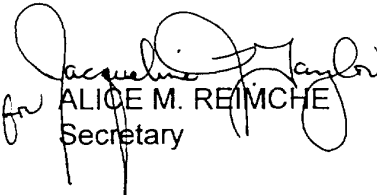
I hereby certify that Resolution No. LFC-2 was passed and adopted by the Board of Directors of the Lodi Financing Corporation in a regular meeting held November 3, 1999, by the following vote:

AYES: DIRECTORS – Hitchcock, Mann, Nakanishi, Pennino and Land
(President)

NOES: DIRECTORS – None

ABSENT: DIRECTORS – None

ABSTAIN: DIRECTORS – None


for ALICE M. REIMCHE
Secretary

BYLAWS
OF THE
LODI FINANCING CORPORATION

ARTICLE I

NAME, ORGANIZATION AND PURPOSE

Principal Office

Section 1.01. Name. The name of this corporation is the LODI FINANCING CORPORATION (hereinafter referred to as the "Corporation").

Section 1.02. Organization, Purpose and Use of Funds. The Corporation is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Corporation Law of the State of California to provide financial assistance to the City of Lodi (the "City"), by assisting the City with the financing of the costs of its environmental abatement program, thus enhancing the water supply of the City for the use, benefit and enjoyment of the public served by the City and any other purpose incidental thereto. The activities of the Corporation shall be limited to the activities described in its Articles of Incorporation. No gains, profits or dividends shall be distributed to any of the Directors or officers of the Corporation; and no part of the net earnings, funds or assets of the Corporation shall inure to the benefit of any Director or any other person, firm or Corporation excepting only the City.

Section 1.03. Principal Office. The principal office of the Corporation is hereby fixed and located at the offices of the City of Lodi, 221 West Pine Street, Lodi, California 95241-1910. The Board of Directors is hereby granted full power and authority to change said principal office from one location to another. Any such change shall be noted by the Secretary opposite this section, but shall not be considered an amendment to these Bylaws.

ARTICLE II

NO MEMBERS

Section 2.01. No Members. Pursuant to Section 5310 of the Nonprofit Public Benefit Corporation Law, the bylaws of a nonprofit corporation may provide that the corporation shall have no members. The Corporation shall have no members.

ARTICLE III

DIRECTORS

Section 3.01. Powers. Subject to limitations of the Articles of Incorporation or the Bylaws, and of the California Nonprofit Public Benefit Corporation Law, and subject to the

duties of Directors as prescribed by the Bylaws, all powers of the Corporation shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be controlled by, the Board of Directors. No Director shall be responsible for any error in judgment or for anything that he or she may do or refrain from doing in good faith. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Directors shall have the following powers, to wit:

First - to select and remove all of the other officers, agents and employees of the Corporation, prescribe such powers and duties for them as may not be inconsistent with law, the Articles of Incorporation or the Bylaws, fix their compensation and require from them security for faithful service;

Second - to conduct, manage and control the affairs and business of the Corporation and to make such rules and regulations therefor not inconsistent with law, the Articles of Incorporation or the Bylaws, as the Directors may deem best; and

Third - to borrow money and incur indebtedness for the purposes of the Corporation, and to cause to be executed and delivered therefor, in the name of the Corporation, promissory notes, bonds, certificates of participation, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

Section 3.02. Number of Directors. The authorized number of Directors shall be five until changed by amendment of the Articles of Incorporation or by amendment of the Bylaws. Directors are collectively to be known as the Board of Directors.

Section 3.03. Selection and Term of Office. The Board of Directors shall be constituted based upon the approval and appointment of the Lodi City Council (the "City Council"), and no person shall be eligible to serve as a Director except a person initially approved by resolution of the City Council. The initial Directors of the Corporation shall be the members of the City Council. Except as hereinafter provided, each Director shall hold office for a term concurrent with such Director's term as a member of the City Council. Unless a vacancy in the office occurs as herein provided, the Director appointed shall hold office until the expiration of his/her term and until a successor has been designated and has accepted the office. The Board of Directors of the Corporation by a two-thirds vote may remove any Director from office, with or without cause.

Section 3.04. Vacancies. Subject to the provisions of Section 5226 of the California Nonprofit Public Benefit Corporation Law, any Director may resign effective upon giving written notice to the President, the Secretary or the Board of Directors, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be selected before such time, to take office when the resignation becomes effective.

A vacancy or vacancies in the Board of Directors shall be deemed to exist in case of the death, resignation, or removal of any Director, or if the authorized number of Directors is increased.

Vacancies in the Board shall be filled in the same manner as the Director whose office is vacant was selected. Each Director so selected shall hold office until the expiration of the term of the replaced Director and until a successor has been selected and has accepted the office.

Section 3.05. Organization and Annual Meetings. The Board of Directors shall hold an annual meeting for the purpose of organization, selection of officers, and the transaction of other business. Annual meetings of the Board shall be held without call or notice on _____. Pending such organization meeting, all officers of the Corporation shall hold over, except any officer required by law or these Bylaws to be a Director and who does not qualify as a Director. A Director elected at such meeting of the Board of Directors shall forthwith become a member of the Board of Directors for purposes of such organization.

In the event such an organizational meeting shall not occur at the annual meeting, it shall thereafter be held at the next regular meeting or at a special meeting, and notice thereof shall be given in the manner provided in Section 3.07 hereof for notice of special meetings.

Section 3.06. Regular Meetings. The Board of Directors by resolution may provide for the holding of regular meetings and may fix the time and place of holding such meetings. Notice of regular meetings need not be given.

Section 3.07. Special Meetings: Notice Waiver. A special meeting of the Board of Directors shall be held whenever called by the President or by a majority of the Directors. Written notice of each such meeting shall be delivered personally or by telegram to each Director at least 48 hours before the time of such meeting or shall be sent to each Director by mail, charges prepaid, at least four days before the time of such meeting as specified in the notice. The call and notice shall be posted at least 24 hours prior to the special meeting in a location that is freely accessible to members of the public. The call and notice shall signify the time and place of the special meeting and the business to be transacted. No other business shall be considered at such meeting by the Board of Directors. Notice of adjournment of a meeting need not be given to absent Directors if the time and place are fixed at the meeting adjourned. The transactions of any meeting of the Board of Directors, however called and noticed and wherever held, shall be as valid as though had at a meeting held after regular call and notice, if a quorum is present; provided, however, that before the meeting, each of the Directors not present signs a written waiver of notice and files said written waiver of notice with the Secretary; and provided further, that notice be given to each local newspaper of general circulation, radio or television station requesting notice in writing pursuant to Government Code Section 54956. All waivers shall be filed with the corporate records and made a part of the minutes of the meeting.

Section 3.08. Adjourned Meetings: Notice of Adjournment. The Board of Directors may adjourn any regular, adjourned regular, special or adjourned special meeting to a time and place specified in the order of adjournment. Less than a quorum may so adjourn from time to time. A copy of the order or notice of adjournment shall be conspicuously posted on or near the door of the place where the regular, adjourned regular, special or adjourned special meeting was

held within 24 hours after the time of the adjournment. When a regular or adjourned regular meeting is adjourned as provided in this section, the resulting adjourned regular meeting is a regular meeting for all purposes.

Section 3.09. Quorum. A majority of the authorized number of Directors shall be necessary to constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number is required by law or by the Articles of Incorporation.

Section 3.10. Fees and Compensation. Directors shall receive no compensation, but each Director may be reimbursed his or her necessary and actual expenses, including travel incident to his services as Director, pursuant to resolution of the Board of Directors. Any Director may elect, however, to decline said reimbursement.

Section 3.11. Nonliability for Debts. The private property of the Directors shall be exempt from execution or other liability for any debts, liabilities or obligations of the Corporation, and no Director shall be liable or responsible for any debts, liabilities or obligations of the Corporation.

Section 3.12. Indemnity by Corporation for Litigation Expenses of Officer, Director or Employee. Should any Director, officer or employee of the Corporation be sued, either alone or with others, because he is or was a Director, officer or employee of the Corporation, in any proceeding arising out of his alleged misfeasance or nonfeasance in the performance of his duties or out of any alleged wrongful act against the Corporation or by the Corporation, indemnity for his reasonable expenses, including attorneys' fees incurred in the defense of the proceedings, may be assessed against the Corporation, its receiver, or its director by the court in the same or a separate proceeding if the person sued acted in good faith and in a manner such person reasonably believed to be in the best interests of the Corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The amount of such indemnity shall be so much of the expenses, including attorneys' fees, incurred in the defense of the proceeding, as the court determines and finds to be reasonable.

Section 3.13. Ralph M. Brown Act. Notwithstanding any of the provisions of these Bylaws to the contrary, all meetings of Directors shall be subject to the Ralph M. Brown Act, commencing at Section 54950 of the Government Code of the State of California.

Section 3.14. Conduct of Meetings. The President or, in the President's absence, the Vice President, or a Chairman chosen by a majority of the Directors present, shall preside.

ARTICLE IV

OFFICERS

Section 4.01. Officers. The officers of the Corporation shall be a President, a Vice President, Secretary and a Treasurer. The Corporation may also have, at the discretion of the Board of Directors, one or more additional Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed by the Board of

Directors. One person may hold two or more offices, except that the offices of President and Secretary may not be combined.

Section 4.02. Designation and Election. The President of the Corporation shall be the then-current Mayor of the City; the Vice President of the Corporation shall be the then-current Mayor *pro tem* of the City; the Secretary of the Corporation shall be the then-current City Clerk of the City; the Treasurer of the Corporation shall be the then-current Finance Director of the City of Lodi; and the Legal Counsel to the Corporation shall be the then-current City Attorney of the City. Any other officers of the Corporation shall be chosen by the Board of Directors. Each officer shall hold office until the officer shall resign, be removed, or otherwise become disqualified to serve, or the officer's successor shall be elected and qualified.

Section 4.03. Removal and Resignation. Any officer may resign, or may be removed, with or without cause, by the Board of Directors at any time. Vacancies caused by death, resignation or removal of any officer may be filled by appointment by the Board of Directors, or by the President until such appointment by the Board of Directors.

Section 4.04. President. The President shall be the executive officer of the Corporation and, subject to the control of the Board of Directors, shall have general supervision, direction and control of the affairs of the Corporation. The President shall preside at all meetings of members and meetings of the Board of Directors. The President shall be ex officio member of all standing committees, shall have the general powers and duties of management usually vested in the office of President of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or by these Bylaws.

Section 4.05. Vice President. In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for the Vice President by the Board of Directors or by the Bylaws.

Section 4.06. Secretary. The Secretary shall keep at the principal office of the Corporation a book of minutes of all meetings of Directors, with the time and place of holding, how called or authorized, the notice thereof given, and the names of those present at such meetings. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors of the Corporation, shall keep the corporate records in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 4.07. Treasurer. The Treasurer shall be the chief financial officer of the Corporation and shall keep and maintain adequate and correct books of account showing the receipts and disbursements of the Corporation and an account of its cash and other assets, if any. Such books of account shall at all reasonable times be open to inspection by any Director. The Treasurer shall deposit all moneys of the Corporation with such depositories as are designated by the Board of Directors, and shall disburse the funds of the Corporation as may be ordered by the Board of Directors, and shall render to the President or the Board of Directors, upon request, statements of the financial condition of the Corporation.

Section 4.08. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries and the Assistant Treasurers in the order of their seniority as specified by the Directors shall, in the absence or disability of the Secretary or the Treasurer, respectively, perform the duties and exercise the powers of the Secretary or Treasurer and shall perform such duties as the Board of Directors shall prescribe.

Section 4.09. Subordinate Officers. Subordinate officers shall perform such duties as shall be prescribed from time to time by the Board of Directors or the President.

ARTICLE V

MISCELLANEOUS

Section 5.01. Execution of Documents. The Board of Directors may authorize any officer or officers as agent or agents to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent or other person shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 5.02. Inspection of Bylaws. The Corporation shall keep in its principal office the original or a copy of these Bylaws, as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the members and the Directors at all reasonable times during office hours.

Section 5.03. Annual Report. The annual report referred to in Section 6321 of the Nonprofit Public Benefit Corporation Law of the State of California is expressly dispensed with.

Section 5.04. Fiscal Year. The fiscal year of the Corporation shall begin July 1 and end June 30 of each year, except for the first fiscal year which shall run from the date of incorporation to June 30, 2000.

Section 5.05. Dissolution. The Corporation may be dissolved by vote of the Directors, or by the action of the Board of Directors in accordance with the provisions of California law. In the event of dissolution of the Corporation in any manner and for any cause, after the payment or adequate provision for the payment of all of its debts and liabilities, all of the remaining funds, assets and properties of the Corporation shall be paid or distributed to the City. If for any reason the City is unable or unwilling to accept the assets of the Corporation, said assets will be distributed to the Federal Government; to a state or local government for public purposes; or to a nonprofit fund, foundation, or corporation which is organized and operated for charitable purposes and which has established its tax-exempt status under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended.

Section 5.06. Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the Nonprofit Public Benefit Corporation Law of the State of California shall govern the construction of these Bylaws. If any section, subsection, sentence, clause or phrase of these Bylaws, or the application thereof, is contrary to the Nonprofit Public Benefit Corporation Law of the State of California, the

provisions of that law shall prevail. Without limiting the generality of the foregoing, the masculine gender includes the feminine and neuter, the singular number includes the plural and the plural number includes the singular, and the term "person" includes a corporation as well as a natural person.

ARTICLE VI

GENERAL PROVISIONS

Section 6.01. Payment of Money, Signatures. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Corporation and any and all securities owned by or held by the Corporation requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

Section 6.02. Annual Audit. The affairs and financial condition of the Corporation shall be audited annually at the end of each fiscal year (as provided in Section 5.04 above) commencing with fiscal year 1999-2000 by an independent certified public accountant selected by the Board of Directors, and a written report of such audit and appropriate financial statements shall be submitted to the Board of Directors prior to the next regular meeting of the Board of Directors of the Corporation following the completion of such audit. Additional audits may be authorized as considered necessary or desirable by the Board of Directors.

ARTICLE VII

EXEMPT ACTIVITIES

Section 7.01. Exempt Activities. Notwithstanding any other provisions of these Bylaws, no Director, officer, employee or representative of the Corporation shall take any action or carry on any activity by or on behalf of the Corporation not permitted to be taken or carried on by an organization exempt under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended, and the Regulations promulgated thereunder as they now exist or as they may hereafter be amended.

ARTICLE VIII

AMENDMENTS

Section 8.01. Power of Directors. New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote of the Board of Directors. No amendment to these Bylaws shall be effective until approved by the Board of Directors.

ADOPTED by the Board of Directors of the Lodi Financing Corporation on _____
____, 1999.

By: _____
Secretary

SECRETARY'S CERTIFICATE

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of the Lodi Financing Corporation, a California nonprofit public benefit corporation; and
2. That the foregoing Bylaws constitute a full, true and correct copy of the Bylaws of said Corporation in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name this ____ day of _____, 1999.

By _____
Secretary

RESOLUTION NO. 90-2

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A RESOLUTION OF THE LODI PUBLIC IMPROVEMENT CORPORATION

AMENDING BYLAWS OF THE
LODI PUBLIC IMPROVEMENT CORPORATION

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RESOLVED BY THE BOARD OF DIRECTORS OF THE LODI PUBLIC IMPROVEMENT CORPORATION, that the Bylaws of such organization, duly adopted on the 4th day of May 1988 are hereby amended by the deletion in its entirety of Article V, Section 4, requiring an annual audit.

Dated: May 2, 1990

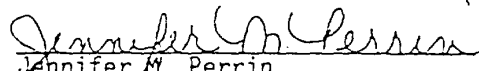
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I hereby certify that the foregoing is a full, true and correct copy of a resolution duly passed and adopted by the Board of Directors of the Lodi Public Improvement Corporation, at a meeting thereof duly held on the 2nd day of May, 1990, by the following vote of the Directors thereof:

AYES, and in favor thereof, Directors: Hinchman, Olson, Pinkerton,
Reid and Snider (Chairman)

NOES, Directors: None

ABSENT, Directors: None


Jennifer M. Perrin
Acting Secretary

Approved As To Form:



Bob McNatt
City Attorney

RESPIC90.2/TXTA.02J

RESOLUTION NO. 88-1

A RESOLUTION ADOPTING BYLAWS

LODI PUBLIC IMPROVEMENT CORPORATION

RESOLVED, by the Board of Directors of the Lodi Public Improvement Corporation, that the Bylaws of the Lodi Public Improvement Corporation, in the form hereto attached and incorporated herein by reference, are hereby adopted and approved and shall stand as the Bylaws of this Corporation until valid amendment thereof.

I hereby certify that the foregoing is a full, true and correct copy of a resolution duly passed and adopted by the Board of Directors of the Lodi Public Improvement Corporation, at a meeting thereof duly held on the 4th day of May, 1988, by the following vote of the Directors thereof:

AYES, and in favor thereof, Directors: Hindman, Olson, Reid, & Snider (Mayor
Pro Tempore)
NOES, Directors: None
ABSENT, Directors: Pinkerton

Wm. M. Runnicks
Secretary

Approved As To Form

B. W. McNatt
Bobby W. McNatt
City Attorney

BYLAWS
OF
LODI PUBLIC IMPROVEMENT CORPORATION

ARTICLE I

Offices and Seal

Section 1. **Offices.** The principal office of the Corporation for the transaction of business shall be 221 West Pine Street, Lodi, California 95240. The Board of Directors may, however, fix and change from time to time the principal office from one location to another by noting the change of address in the minutes of the meeting of the Board of Directors at which the address was fixed or changed. The fixing or changing of such address shall not be deemed an amendment to these Bylaws.

Section 2. **Seal.** The Corporation shall have a seal, consisting of two (2) concentric circles with the words "Lodi Public Improvement Corporation", with the date of incorporation of the Corporation.

ARTICLE II

Directors

Section 1. **Powers.** Subject to the limitations of the Articles of Incorporation of the Corporation, the terms of these Bylaws, and the laws of the State of California, the powers of the Corporation shall be vested in and exercised by and its property controlled and its affairs conducted by the Board of Directors.

Section 2. **Number.** The Corporation shall have five (5) Directors. Directors are collectively to be known as the Board of Directors. The number of Directors may be changed by a Bylaw or amendment thereof duly adopted by the Board of Directors.

Section 3. **Selection, Tenure of Office and Vacancies.** The individuals who act as the members of the City Council (the "City Council") of the City of Lodi, California (the "City") shall constitute the Board of Directors of the Corporation, and each member of the City Council shall be and remain a member of the Board of Directors of the Corporation for so long as such member remains a member of the City Council.

Section 4. **Compensation.** Directors shall serve without compensation but each Director may be reimbursed his or her necessary and actual expenses, including travel incident to his services as Director, pursuant to resolution of the Board of Directors. Any Director may elect, however, to decline said reimbursement.

Section 5. Organization Meetings. Immediately following the annual meeting of the Board of Directors or any special meeting of the Board of Directors at which Directors shall have been elected, the Directors shall meet for the purpose of organizing the Board, the election of officers and the transaction of such business as may come before the meeting. Pending such organization meeting, all officers of the Corporation shall hold over, except any officer required by law or these Bylaws to be a Director and who does not qualify as a Director. A Director elected at such meeting of the Board of Directors shall forthwith become a member of the Board of Directors for purposes of such organization.

In the event such an organizational meeting shall not be held immediately following such meeting of the Board of Directors, it shall thereafter be held at the next regular meeting or at a special meeting and notice thereof shall be given in the manner provided in Section 7 of this Article for notice of special meetings.

Section 6. Regular and Organizational Meetings. Regular meetings of the Board of Directors shall be held at such time as the Board may fix by resolution from time to time; provided, however, that at least one regular meeting shall be held each year and such meetings shall, in all respects, conform to provisions of the Ralph M. Brown Act, being Sections 54950 through 54961 of the Government Code of the State of California (the "Brown Act").

No. notice of any organizational meeting of the Board of Directors, held immediately following the annual meeting of the Board of Directors or on or after any special meeting of the Board of Directors shall have been elected, need be given; provided, that if such an organizational meeting is not held immediately following such meeting of the Board of Directors, then notice thereof shall be given in a manner provided in Section 7 of this Article, in the same manner as notice of special meetings.

Section 7. Special Meetings. Special meetings of the Board of Directors shall be called, noticed and held in accordance with the provisions of Section 54956 of the Brown Act.

Section 8. Quorum. A quorum shall consist of a majority of the members of the Board of Directors unless a greater number is expressly required by statute, by the Articles of Incorporation of the Corporation, or by these Bylaws. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present, shall be the act of the Board of Directors.

Section 9. Order of Business. The order of business at the regular meeting of the Board of Directors and, so far as possible, at all other meetings of the Board of Directors, shall be essentially as follows, except as otherwise determined by the Directors at such meeting:

- (a) Report on the number of Directors present in person in order to determine the existence of a quorum.
- (b) Reading of the notice of the meeting and proof of the delivery or mailing thereof, or the waiver or waivers of notice of the meeting then filed, as the case may be.

- (c) Reading of unapproved minutes of previous meetings of the Board of Directors and the taking of action with respect to approval thereof.
- (d) Presentation and consideration of reports of officers and committees.
- (e) Unfinished business.
- (f) New business.
- (g) Adjournment.

Section 10. Resignation of Directors. Any Director of the Corporation may resign at any time by giving written notice to the President or to the Board of Directors; *provided, however*, in the event of such resignation, such Director's position shall remain vacant until a new member of the City Council is elected to fill such Director's position. Such resignation shall take effect at the time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 11. Nonliability for Debts. The private property of the Directors shall be exempt from execution or other liability for any debts, liabilities or obligations of the Corporation and no Director shall be liable or responsible for any debts, liabilities or obligations of the Corporation.

Section 12. Indemnity by Corporation for Litigation Expenses of Officer, Director or Employee. Should any Director, officer or employee of the Corporation be sued, either alone or with others, because he is or was a director, officer or employee of the Corporation, in any proceeding arising out of his alleged misfeasance or nonfeasance in the performance of his duties or out of any alleged wrongful act against the Corporation or by the Corporation, indemnity for his reasonable expenses, including attorneys' fees incurred in the defense of the proceedings, may be assessed against the Corporation, its receiver, or its director by the court in the same or a separate proceeding if the person sued acted in good faith and in a manner such person reasonably believed to be in the best interests of the Corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The amount of such indemnity shall be so much of the expenses, including attorneys' fees, incurred in the defense of the proceeding, as the court determines and finds to be reasonable.

ARTICLE III

Officers

Section 1. Officers. The officers of the Corporation shall be a President, a Vice President, a Secretary and such other officers as the Board of Directors may appoint. The Mayor of the City shall act *ex officio* as the President of the Corporation, the Mayor pro tem of the City shall act *ex officio* as the Vice President of the Corporation, and the City Clerk of the City shall act *ex officio* as the Secretary of the Corporation. The

Corporation may also have, at the discretion of the Board of Directors, one or more additional Vice Presidents, one or more Assistant Secretaries, and one or more Assistant Treasurers. In addition to such officers, the Finance Director of the City, or his designee, shall act *ex officio* as the Treasurer of the Corporation; and the City Attorney of the City shall act *ex officio* as legal counsel to the Corporation.

Section 2. Election of Officers. The officers of the Corporation (other than the Treasurer and legal counsel to the Corporation) shall be chosen by and shall serve at the pleasure of the Board of Directors and each shall hold office until any such officer shall resign or shall be removed or otherwise disqualified to serve or any successor shall be elected and qualified to serve.

Section 3. Subordinate Officers. The Board of Directors may elect or authorize the appointment of such other officers than those hereinabove mentioned as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws, or as the Board of Directors from time to time may authorize or determine.

Section 4. Removal of Officers. Any officer may be removed, either with or without cause, by a majority of the Directors then in office at any regular or special meeting of the Board, or, except in the case of an officer chosen by the Board of Directors, by any officers upon whom such power of removal may be conferred by the Board of Directors. Should a vacancy occur in any office as a result of death, resignation, removal, disqualification or any other cause, the Board of Directors may delegate the powers and duties of such office to any officers or to any Directors until such time as a successor for said office has been elected and appointed.

Section 5. President. The President shall preside at all meetings of the Board of Directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or be prescribed by the Bylaws.

The President shall also be the chief corporate officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Corporation. He shall preside at all meetings of the Board of Directors. He shall be *ex officio* member of all standing committees, and shall have the general powers and duties of management usually vested in the office of President of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or by these Bylaws.

Section 6. Vice President. In the absence or disability of the President, the Vice President, or the Vice Presidents in order of their ranks as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, shall perform all the duties of the President and when so acting shall have all the powers of and be subject to all of the restrictions upon the President. The Vice Presidents shall have such other powers and perform such other duties as may from time to time be prescribed for them, respectively, by the Board of Directors or by these Bylaws.

Section 7. Secretary. The Secretary shall keep or cause to be kept a book of minutes at the principal office or at such other place as the Board of Directors may order, of all meetings of the Directors, with the time and place of holding, whether

regular or special, and if special, how authorized, the notice thereof given, the names of those present at Directors' meetings and the proceedings thereof. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors of the Corporation, shall keep the corporate records in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 8. Treasurer. The Treasurer shall keep and maintain or cause to be kept and maintained adequate and correct amounts of its assets, liabilities, receipts, disbursements, gains and losses. The books of account shall at all times be open to inspection by any Director. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Corporation in such depositories as may be designated by the Directors. He shall disburse the funds of the Corporation as shall be ordered by the Board of Directors, shall render to the President and the Directors whenever they shall request it, an account of all of his transactions as Treasurer and of the financial condition of the Corporation, shall take proper vouchers for all disbursements of the funds of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these Bylaws.

Section 9. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries and the Assistant Treasurers in the order of their seniority as specified by the Directors shall, in the absence or disability of the Secretary or the Treasurer, respectively, perform the duties and exercise the powers of the Secretary or Treasurer and shall perform such duties as the Board of Directors shall prescribe.

ARTICLE IV

Objects and Purposes

Section 1. Nature of Objects and Purposes. The business of the Corporation is to be operated and conducted in the promotion of its objects and purposes as set forth in Article II of its Articles of Incorporation.

Section 2. Dissolution. The Corporation may be dissolved by vote of the Directors, or by the action of the Board of Directors in accordance with the provisions of California law. Upon the dissolution of the Corporation, and after payment or provision for payment, all debts and liabilities, the assets of the Corporation shall be distributed to the City. If for any reason the City is unable or unwilling to accept the assets of the Corporation, said assets will be distributed to the Federal Government; to a state or local government for public purposes; or to a nonprofit fund, foundation, or corporation which is organized and operated for charitable purposes and which has established its tax-exempt status under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended.

Section 3. Merger. The Corporation may merge with other corporations organized solely for nonprofit purposes, qualified and exempt from Federal taxation pursuant to Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended, and

from State taxation, upon compliance with the provisions of California law relating to merger and consolidation.

ARTICLE V

General Provisions

Section 1. Payment of Money, Signatures. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Corporation and any and all securities owned by or held by the Corporation requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

Section 2. Execution of Contracts. The Board of Directors, except as in the Bylaws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any contract or execute any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances and unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount....

Section 3. Fiscal Year. The fiscal year of the Corporation shall commence on the 1st day of July of each year and shall end on the 30th day of June of the next succeeding year.

Section 4. Annual Audit. The affairs and financial condition of the Corporation shall be audited annually at the end of each fiscal year (as provided in Section 3 above) commencing with fiscal year 1988-1989 by an independent certified public accountant selected by the Board of Directors and a written report of such audit and appropriate financial statements shall be submitted to the Board of Directors prior to the next regular meeting of the Board of Directors of the Corporation following the completion of such audit. Additional audits may be authorized as considered necessary or desirable by the Board of Directors.

ARTICLE VI

Exempt Activities

Notwithstanding any other provisions of these Bylaws, no Director, officer, employee or representative of the Corporation shall take any action or carry on any activity by or on behalf of the Corporation not permitted to be taken or carried on by an organization exempt under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended, and the Regulations promulgated thereunder as they now exist or as they may hereafter be amended.

ARTICLE VII

Amendment to Bylaws

These Bylaws may be amended by majority vote of the Board of Directors.

ADOPTED by the Board of Directors of the Lodi Public Improvement Corporation on May 4, 1988.

By Wm. T. Bunch
Secretary

SECRETARY'S CERTIFICATE

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of the Lodi Public Improvement Corporation, a California nonprofit public benefit corporation; and
2. That the foregoing Bylaws constitute a full, true and correct copy of the Bylaws of said Corporation in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 9th day of May, 1933.

By Olivia M. Remick
Secretary

RESOLUTION NO. LFC-3

A RESOLUTION APPOINTING COUNSEL FOR
THE LODI FINANCING CORPORATION

=====

NOW, THEREFORE, BE IT RESOLVED by the Directors of the Lodi Financing Corporation that the City Attorney for the City of Lodi shall act as Counsel to the Lodi Financing Corporation.

Dated: November 3, 1999

=====

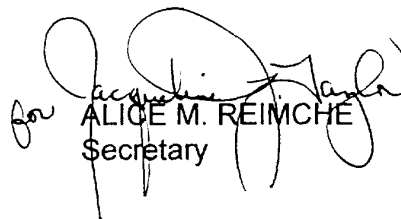
I hereby certify that Resolution No. LFC-3 was passed and adopted by the Board of Directors of the Lodi Financing Corporation in a regular meeting held November 3, 1999, by the following vote:

AYES: DIRECTORS – Hitchcock, Mann, Nakanishi, Pennino and Land
(President)

NOES: DIRECTORS – None

ABSENT: DIRECTORS – None

ABSTAIN: DIRECTORS – None


for ALICE M. REIMCHE
Secretary

RESOLUTION NO. LFC-4

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE LODI
FINANCING CORPORATION RELATING TO VARIABLE RATE
CERTIFICATES OF PARTICIPATION (ENVIRONMENTAL
ABATEMENT PROGRAM), APPROVING THE FORMS OF AND
AUTHORIZING THE EXECUTION AND DELIVERY OF A PROGRAM
RECEIPTS SALE AND REPURCHASE AGREEMENT, A TRUST
AGREEMENT, A CERTIFICATE PURCHASE CONTRACT AND A
PLACEMENT AGENT AGREEMENT AND AUTHORIZING CERTAIN
OTHER RELATED ACTIONS AND CERTAIN OTHER DOCUMENTS
IN CONNECTION THEREWITH

WHEREAS, the Lodi Financing Corporation (the "Corporation") is a nonprofit public benefit corporation organized and existing under the laws of the State of California with the authority to assist with the financing of the costs of the environmental abatement program of the City of Lodi (the "City"); and

WHEREAS, the City and the Corporation desire to enter into that certain Program Receipts Sale and Repurchase Agreement ("Sale and Repurchase Agreement"), dated as of _____, _____, by and between the City and the Corporation, the form of which has been presented to this Board of Directors at the meeting at which this Resolution has been adopted, pursuant to which the City will agree to irrevocably sell and convey to the Corporation its right to receive Program Receipts (as defined in the Sale and Repurchase Agreement), and the Corporation will resell and reconvey such Program Receipts to the City in consideration of the City's agreement to make certain Repurchase Payments (as described in the Sale and Repurchase Agreement) in connection therewith, which payments have been pledged to the owners of the Certificates of Participation (defined below) by the Corporation pursuant to a Trust Agreement, dated as of _____, _____ (the "Trust Agreement"), by and between the Corporation and the Trustee named therein, as trustee (the "Trustee"), the form of which has been presented to this Board of Directors at the meeting at which this Resolution has been adopted; and

WHEREAS, the Corporation and the City have determined that it would be in the best interests of the Corporation, the City and citizens of the community to authorize the execution and delivery of Certificates of Participation in an aggregate principal amount not to exceed \$16,000,000 (the "Certificates"), which Certificates evidence proportionate interests in certain Repurchase Payments to be made pursuant to the Sale and Repurchase Agreement, and which financing will facilitate the effective and expeditious abatement of an existing or threatened Environmental Nuisance, as defined in the City's Comprehensive Municipal Environmental Response and Liability Ordinance, being Ordinance No. 1684, adopted November 17, 1999 and effective December 17, 1999, repealing and reenacting Title 8, chapter 8.24 of the Lodi Municipal Code (the "Ordinance") within or affecting the City.

NOW, THEREFORE, the Board of Directors of the Corporation does hereby resolve as follows:

SECTION 1: Certificates. This Board of Directors hereby authorizes the execution and delivery of the Certificates in an aggregate principal amount not to exceed \$16,000,000 in accordance with the terms and provisions of the Trust Agreement. The purposes for which the proceeds of the sale of the Certificates shall be expended are to assist with the cost of financing the City's environmental abatement program, as described in the Sale and Repurchase Agreement.

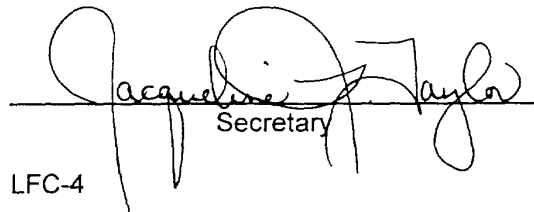
SECTION 2: Certificate Documents. The Sale and Repurchase Agreement, the Trust Agreement, the Certificate Purchase Contract and the Placement Agent Agreement presented at this meeting are approved. The President, Vice-President or the President's designee is authorized and directed to execute and deliver said agreements. The agreements shall be executed in substantially the forms hereby approved, with such additions thereto and changes therein as are recommended or approved by counsel to the Corporation and approved by such officers of the Corporation executing the documents, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 3: Other Actions. The President, Vice President, Secretary and such other officers of the Corporation are authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the sale and delivery of the Certificates, and the delivery of the documents described above, and otherwise effectuate the purposes of this Resolution, and such actions previously taken by such officers are hereby ratified and confirmed.

SECTION 4: Effective Date. This Resolution shall take effect upon the effective date of the Ordinance, unless the Ordinance does not become effective by June 1, 2000, in which event this Resolution shall be of no further force and effect.

ADOPTED, SIGNED AND APPROVED this 3rd day of November, 1999, by the following vote:

AYES:	BOARD MEMBERS – Hitchcock, Mann, Nakanishi, Pennino and Land (President)
NOES:	BOARD MEMBERS – None
ABSENT:	BOARD MEMBERS – None
ABSTAIN:	BOARD MEMBERS – None


Secretary

LFC-4

Item I.

INCORPORATOR'S DESIGNATION OF DIRECTORS
LODI FINANCING CORPORATION

I am the Incorporator of the Lodi Financing Corporation (the "Corporation").

The Articles of Incorporation of the Corporation were filed with the California Secretary of State's office on October 12, 1999.

As the Incorporator, I hereby designate the following persons as directors of the Corporation:

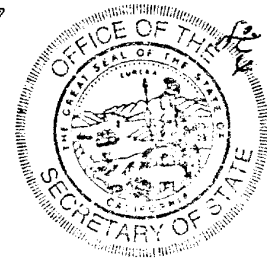
Keith Land
Steve Mann
Susan Hitchcock
Alan Nakanishi
Phillip Pennino

10/12/99

Date

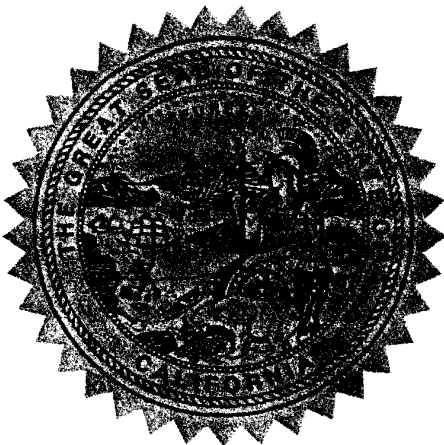
E.D. Tashman

Eric D. Tashman
Incorporator

**SECRETARY OF STATE**

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the attached transcript of 4 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.



IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

OCT 12 1999

Bill Jones

Secretary of State

2076959

ARTICLES OF INCORPORATION

OF

LODI FINANCING CORPORATION

RECEIVED - FILED
CLERK OF THE
COUNTY OF STAG
COUNTY OF CALIFORNIA

OCT 12 1999

ALL JONES, SECRETARY OF STATE

I.

The name of this corporation is LODI FINANCING CORPORATION.

II.

This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law (commencing at Section 5110 of the California Corporations Code) for public purposes. The public purposes for which the corporation is organized include the following: to provide financial assistance to the City of Lodi (the "City") by assisting the City with the financing of the costs of its environmental abatement program, thus enhancing the water supply of the City for the use, benefit and enjoyment of the public served by the City, as well as any other purpose incidental thereto.

III.

This corporation is organized under the direction of a group of public-spirited citizens for the sole purpose of assisting the City with the financing as a civic venture for and on behalf of the City. This corporation shall never engage in any business or activity other than that necessary or convenient for or incidental to the carrying out of the purpose set forth in Article II hereof.

IV.

No part of the net earnings, if any, of this corporation, either during its existence or upon its dissolution, shall ever inure to the benefit of any member, private shareholder, individual, person, firm or corporation excepting only the City. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation; nor shall it participate in, or intervene in (including the publishing or distributing of statements) any political campaign on behalf of any candidate for public office. The property, assets, profits and net revenues of this corporation are irrevocably dedicated to the City; provided, however, that until all indebtedness of this corporation shall have been paid, such net revenues may be used for the purpose of paying or calling for redemption of any bonds, certificates of participation, debentures, notes or other evidences of such indebtedness. Upon the dissolution, liquidation or winding up of this corporation, or upon abandonment, the assets of this corporation remaining after payment of all or provision for all debts or liabilities of this corporation and after compliance with Chapters 15, 16 and 17 of the California Nonprofit Public Benefit Corporation Law shall be distributed to the City to the extent said assets relate to any lease or agreement between this corporation and said City. This corporation is organized and operated exclusively for public purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). Notwithstanding any other provision of these Articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code or (b) by a corporation contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code.

V.


The name and address in this state of the corporation's initial agent for service of process is:

Dixon Flynn
c/o City of Lodi
221 West Pine Street
Lodi, California 95240-1910

VI.

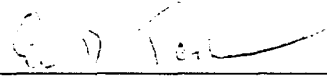
The number of directors of this corporation shall be fixed by the Bylaws. The persons who are directors of this corporation, from time to time, shall be selected as provided in the Bylaws. The directors of this corporation shall have no liability for dues or assessments. There shall be no members of the corporation.

IN WITNESS WHEREOF, for the purposes of forming the corporation under the laws of the State of California, the undersigned has executed these Articles of Incorporation this 12th day of October, 1999.



Eric D. Tashman
Incorporator

I declare that I am the person who executed the above Articles of Incorporation, and that this instrument is my act and deed.



Eric D. Tashman
Incorporator



PROGRAM RECEIPTS SALE AND
REPURCHASE AGREEMENT

Dated as of **[Dated Date]**

Between the

THE CITY OF LODI,

As Seller and Repurchaser, and

LODI FINANCING CORPORATION,
as Purchaser

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PROGRAM RECEIPTS SALE AND REPURCHASE AGREEMENT

THIS PROGRAM RECEIPTS SALE AND REPURCHASE AGREEMENT, dated as of **[Dated Date]** (the "Agreement"), is hereby entered into by and between the CITY OF LODI, a municipal corporation organized and existing under the laws of the State of California, as seller and assignor (the "City") and the LODI FINANCING CORPORATION, a nonprofit corporation organized and existing under the laws of the State of California, as purchaser and assignee (the "Corporation");

WITNESSETH:

WHEREAS, there exists in the City a significant water contamination problem threatening the City's water supply and the health and safety of the City's inhabitants;

WHEREAS, in May 1997, the City executed a Comprehensive Joint Cooperative Agreement (Including Related Delegation and Settlement Agreements) with the California Department of Toxic Substances Control ("DTSC") Relating to the Investigation and Abatement of the Hazardous Substance Contamination In and Affecting the City (the "Cooperative Agreement");

WHEREAS, under the Cooperative Agreement, the City is committed to act as lead agency in initiating and prosecuting environmental enforcement actions (the "Program") to compel responsible parties to investigate and clean up all actual or potential dangers to public health and the environment arising from or related to hazardous substance contamination of portions of the City's groundwater and soil located within an area of approximately 600 acres and encompassing the City's central business area (the "Lodi Area of Contamination"), as described in the Cooperative Agreement;

WHEREAS, the Cooperative Agreement fully resolved the City's liability, if any, for contamination arising, in whole or in part, from the design, construction, operation or maintenance of the City's sewer systems;

WHEREAS, it is in the public interest and welfare of the City's inhabitants that the City find a means of financing the costs of the Program in order to fulfill the City's obligations under the Cooperative Agreement, and to enforce laws and ordinances which compel responsible parties to assume the cost and responsibility for the necessary remediation work to clean up the City's water supply and preserve and enhance the City's water system;

WHEREAS, the costs of environmental litigation under the Program may be significant;

WHEREAS, the City has determined, after extensive investigation and consultation with the City's financial advisor, that the most feasible means of financing Program costs is through the implementation of a certificate of participation financing, which financing will facilitate the effective and expeditious abatement of an existing or threatened Environmental Nuisance (as defined in the City's Comprehensive Municipal Environmental Response and Liability Ordinance, described below) within or affecting the City;

WHEREAS, pursuant to Sections 37350 and 7158 of the California Government Code, Section 17 of the California Code of Civil Procedure, and Sections 953 and 954 of the California Civil Code, the City may sell all or a portion of its right to receive recoveries arising from the Program;

WHEREAS, pursuant to Sections 37350 and 7158 of the California Government Code, Section 17 of the California Code of Civil Procedure, and Sections 953 and 954 of the California Civil Code, the City may purchase all or a portion of its right to receive recoveries arising from the Program;

WHEREAS, to implement this certificate of participation financing, the City proposes to irrevocably sell and convey to the Corporation its right to receive Program Receipts (as defined herein), and simultaneously therewith the Corporation desires to resell and reconvey such Program Receipts back to the City in consideration of receipt of the Repurchase Payments (as defined herein), all pursuant to this Agreement;

WHEREAS, the Corporation and U.S. Bank Trust National Association, as trustee (the "Trustee"), will enter into a Trust Agreement, dated as of the date hereof (the "Trust Agreement"), pursuant to which (i) the Corporation will assign and pledge to the Trustee its interests in and to the Repurchase Payments and (ii) the Trustee will agree to execute and deliver, from time to time, a principal amount not to exceed \$16,000,000 of certificates of participation (the "Certificates");

WHEREAS, each Certificate will evidence an undivided, proportionate interest in Repurchase Payments, consisting of a principal component and an interest component, to be made by the City, as provided herein and in the Trust Agreement;

WHEREAS, the purchase price to be paid by the Corporation for each portion of Program Receipts purchased from the City pursuant to this Agreement will be payable solely from proceeds from the sale of the Certificates;

WHEREAS, the City's obligation to make Repurchase Payments (and certain other payments under this Agreement) will be a special obligation of the City payable solely from Program Receipts;

WHEREAS, the City has adopted its Comprehensive Municipal Environmental Response and Liability Ordinance (more fully described below) pursuant to which the City, among other things, has created in favor of Certificate Holders a first lien on the Program Receipts, and the City acknowledges that such first lien is superior to all other uses of Program Receipts, except with regard to certain Permitted Deductions as provided herein;

WHEREAS, the Program Receipts may be pledged to and deposited in the Municipal Fund (as defined herein) created under the Ordinance as proceeds of the City's environmental abatement program;

WHEREAS, being payable solely from Program Receipts, the receipt by Certificate Holders of any amounts hereunder and under the Trust Agreement is unpredictable and

uncertain, and accordingly there is significant risk inherent in purchasing and holding the Certificates;

WHEREAS, in view of the risks and uncertainties associated with the Certificates, the City acknowledges that the interest cost of the Certificates is significantly higher than in traditional municipal finance transactions;

WHEREAS, pursuant to Section 5900, et seq. of the California Government Code, the City, through the Corporation, is authorized to issue Certificates the interest component of which is subject to federal income taxation, and the City has determined that the interest component of the Repurchase Payments made hereunder and represented by the Certificates will be subject to federal income taxation;

WHEREAS, pursuant to Section 5906 of the California Government Code, the Certificates and the purchasers thereof will be exempt from the usury provisions of Section 1 of Article XV of the California Constitution;

WHEREAS, the City and the Corporation propose to execute and deliver a Certificate Purchase Contract (the "Certificate Purchase Contract") with Environmental Restoration Company Ltd. (the "Original Purchaser"), pursuant to which the Original Purchaser agrees to purchase, from time to time, the Certificates in an amount up to an aggregate principal amount not to exceed \$16,000,000;

WHEREAS, Lehman Brothers Inc. has acted as Placement Agent for the Certificates;

WHEREAS, the City has retained Public Financial Management as its financial advisor to evaluate the efficacy and cost effectiveness of entering into this financing and issuing the Certificates on the terms specified in this Agreement and in the Trust Agreement;

WHEREAS, the DTSC has provided in writing that the execution of this Sale and Repurchase Agreement, the Trust Agreement and the Certificate Purchase Contract and the execution and delivery of the Certificates do not violate or conflict with the Cooperative Agreement;

WHEREAS, the City and the Corporation have determined that all acts and proceedings required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Agreement and the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City and the Corporation are now duly authorized and empowered to execute and enter into this Agreement and to consummate such transactions for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Agreement, the Trust Agreement and of any agreement supplemental hereto and of any statement, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Words of any gender shall be deemed and construed to include all genders.

Accreted Value

"Accreted Value" means Outstanding Principal and all unpaid Compounded Interest thereon, calculated in accordance with Section 2.04 of the Trust Agreement.

Additional Payments

"Additional Payments" means all amounts payable by the City as Additional Payments pursuant to Section 6.7(b) hereof.

Agreement or Sale and Repurchase Agreement

"Agreement" or "Sale and Repurchase Agreement" means this Program Receipts Sale and Repurchase Agreement, dated as of **[Dated Date]**, between the City and the Corporation, as originally executed and as it may from time to time be supplemented, modified, or amended in accordance with the terms hereof or of the Trust Agreement.

Authorized Representative

"Authorized Representative" means, (1) with respect to the Corporation, the President of the Corporation or the Secretary of the Corporation or any other person designated as an Authorized Representative of the Corporation by a Statement of the Corporation signed by said President and filed with the Trustee, and (2) with respect to the City, the Mayor, the City Manager, or the City Attorney of the City or any other person designated as an Authorized Representative of the City by a Statement of the City signed by said Mayor, said City Manager, or said City Attorney and filed with the Trustee.

Budgeted Program Costs

"Budgeted Program Costs" means those fees, expenses, and costs as allocated and described in the Program Budget as shown in Exhibit A to this Agreement.

Business Day

"Business Day" means a day of the year on which banks located in the city where the Corporate Trust Office is located are not required or authorized to be closed.

Calculation and Verification Agent

"Calculation and Verification Agent" means a financial institution, investment banking firm or accounting firm with a national reputation and capable of performing the functions assigned to the Calculation and Verification Agent herein and in the Trust Agreement, as selected or consented to by the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value.

Certificate Holder or Holder

"Certificate Holder" or "Holder," whenever used herein with respect to a registered Certificate, means the Person in whose name such Certificate is registered.

Certificate Purchase Contract

"Certificate Purchase Contract" means that certain Certificate Purchase Contract, dated as of _____, between the Original Purchaser, the City and the Corporation regarding the purchase of the Certificates by the Original Purchaser.

Certificates

"Certificates" means the certificates of participation evidencing the undivided, proportionate interests of the Holders thereof in Program Receipts to be sold and Repurchase Payments to be made by the City pursuant to this Agreement.

City

"City" means the City of Lodi, a municipal corporation organized and existing under the laws of the State of California.

Closing Date

"Closing Date" means _____, ____.

Commitment Period

"Commitment Period" means the period beginning on the date of the Certificate Purchase Contract and ending on the Commitment Period Ending Date or the earlier occurrence of a Commitment Termination Event.

Commitment Period Ending Date

"Commitment Period Ending Date" means that date which is four years after the Closing Date.

Commitment Termination Event

"Commitment Termination Event" means the occurrence, prior to the Commitment Period Ending Date, of (a) the City's delivery of a Termination Notice to the Trustee and the

Original Purchaser, stating that it will make no further Issuance Requests; (b) the reduction of the Purchase Commitment to zero as described in the Certificate Purchase Contract; (c) the Original Purchaser's decision to terminate the Purchase Commitment in the event the City substitutes its Outside Counsel or modifies the terms of engagement of its Outside Counsel in a manner which, in the sole determination of the Original Purchaser, results in a materially prejudicial change; or (d) in the sole discretion of the Original Purchaser, an uncured Event of Default hereunder or under the Trust Agreement, or a violation by the City or the Corporation of any covenant, representation or warranty made herein or in the Certificate Purchase Contract or in the Trust Agreement, including but not limited to the occurrence of any of the proceedings or actions described in Section 9.1(e) hereof relating to bankruptcy or insolvency of the City or the Corporation or other actions described therein.

Compounded Interest

"Compounded Interest" means all unpaid and accrued interest with respect to the Certificates which has been added to Accreted Value. On December 31 of each year, all Current Interest will become Compounded Interest and will be added to Accreted Value in accordance with Section 2.04 of the Trust Agreement.

Cooperative Agreement

"Cooperative Agreement" means the Comprehensive Joint Cooperative Agreement, executed in May 1997, between DTSC and the City regarding the investigation of and remediation of contamination in the Lodi Area of Contamination.

Corporation

"Corporation" means the Lodi Financing Corporation, a California nonprofit corporation.

Corporate Trust Office

"Corporate Trust Office" or "corporate trust office" means the corporate trust office of the Trustee in San Francisco, California, provided that, with regard to execution, delivery, transfer, exchange, registration, surrender and payment of Certificates, "Corporate Trust Office" means the corporate trust office of U.S. Bank Trust National Association in St. Paul, Minnesota, or such other or additional offices as may be designated by the Trustee.

Covered Subject

"Covered Subject" means a single potentially responsible party or tortfeasor that is or may be liable for the abatement of environmental conditions within the Lodi Area of Contamination as a result of that party's ownership or operation, for a certain period of time, of a facility or that party's contribution to the environmental conditions requiring abatement.

Current Interest

"Current Interest" means all unpaid interest with respect to the Certificates which has accrued but has not yet been compounded in accordance with Section 2.04 of the Trust Agreement.

Deferred Commitment Fee

"Deferred Commitment Fee" means \$2.25 million, or such lesser amount as may be payable by the City to the Original Purchaser from time to time in accordance with the terms of the Certificate Purchase Contract and the Trust Agreement.

Deferred Commitment Fee Reserve Account

"Deferred Commitment Fee Reserve Account" means the account by that name under the Revenue Fund established by Section 5.03 of the Trust Agreement.

Delivery Date

"Delivery Date," when used with respect to a particular Series of Certificates, means the date of delivery of such Series of Certificates to the Original Purchaser (as defined below) thereof. The Delivery Date for the first Series of Certificates shall be the Closing Date. The Delivery Date for each subsequent Series of Certificates shall be the first Business Day of any January, April, July, or October on or before the Commitment Period Ending Date as specified by the City in the applicable Issuance Request.

Distribution Date

"Distribution Date" means the first Business Day following each Repurchase Payment Date on which it is reasonably practicable for the Trustee to send payments of Accreted Value and Current Interest to Certificate Holders.

DTSC

"DTSC" means the California Environmental Protection Agency, Department of Toxic Substances Control, which entered into the Cooperative Agreement with the City.

DTSC Settlement Payments

"DTSC Settlement Payments" means those amounts used to reimburse the City for settlement payments it has previously made to DTSC for certain previously incurred response costs pursuant to Section 4.a of the Cooperative Agreement.

Event of Default

"Event of Default" means any of the events specified in Section 9.1 hereof.

Final Payment Date

"Final Payment Date" means, with respect to all Certificates, January 1, 2029.

Independent Accountant

"Independent Accountant" means a certified public accountant or firm of certified public accountants specializing in providing financial statements and audits for business and governmental entities and who has acted as such an accountant in California for at least three years.

Independent Consultant

"Independent Consultant " means a reputable specialist or firm of specialists, including but not limited to an environmental consultant or an insurance consultant, qualified to evaluate a particular aspect of the Program.

Interest Period

"Interest Period" means a calendar quarter, being January 1 through March 31, April 1 through June 30, July 1 through September 30, and October 1 through December 31 (or shorter period for the initial period).

Investment Securities

"Investment Securities" means investments in a money market fund rated "AAAm" or "AAAM-G" or better by S&P or a money market fund collateralized by direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America. Such money market funds may include funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services. The Trustee shall be entitled to rely upon any written investment direction from the City or the Corporation as a certification that such investment constitutes an Investment Security.

Issuance Request

"Issuance Request" means a written Request and Certificate of the City, in substantially the form set forth in Exhibit B hereto, for the Trustee to execute and deliver a Series of Certificates in accordance with the provisions of Section 2.01 of the Trust Agreement.

Legal Disbursements

"Legal Disbursements" means those amounts invoiced by Outside Counsel for out-of-pocket direct expenses at the actual cost charged by the provider of such materials or services, including postage, copying, overnight delivery services, messengers, long-distance telephone, expert witness fees and costs, and reasonable and customary travel expenses.

Legal Fees

"Legal Fees" means those amounts invoiced by Outside Counsel for professional legal services rendered on an hourly basis, in accordance with the Retainer and Fee Agreement in connection with the Program, and as further limited and described under Exhibit A hereto.

LIBOR and 3-month LIBOR Rate

"LIBOR" means, as of the second London banking day immediately preceding the beginning of an Interest Period (the "LIBOR Determination Date"), the rate for deposits in United States dollars for a period equal to the relevant Interest Period which appears on Telerate Page 3750 as of 11:00 a.m. , London time, on such date. If such rate does not appear on Telerate page 3750, the rate for that LIBOR Determination Date will be determined by the Calculation and Verification Agent on the basis of the rates at which deposits in United States dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on that day to prime banks in the London interbank market for a period equal to the relevant Interest Period. For purposes of this definition, "Telerate Page 3750" means the display page currently so designated on the Dow Jones Market Service or any successor service (or such other page as may replace that page on that service or any successor service for the purpose of displaying comparable rates or prices), and "Reference Banks" means four major banks in the London interbank market selected by the Calculation and Verification Agent.

"3-month LIBOR Rate" means the LIBOR Rate in effect for the 3-month period beginning on each Rate Adjustment Date.

Lien

"Lien" means a security interest, lien, charge, pledge or encumbrance of any kind.

Lodi Area of Contamination

"Lodi Area of Contamination" means an area of approximately 600 acres encompassing the City's central business area, which is the area described in the Cooperative Agreement as the area of the City located within the county of San Joaquin, California bordered approximately by the Mokelumne River to the north, Beckman Road to the east, Harney Lane to the south, and Mills Avenue to the west and the surrounding commercial and residential area from which hazardous substances have been, or are threatened to be, released or where hazardous substances have or may come to be located.

Municipal Fund

"Municipal Fund" means the Lodi Area of Contamination Environmental Nuisance Abatement Fund, which is a restricted account within the Comprehensive Municipal Environmental Response Fund created under the Ordinance, or a successor or alternate fund created for substantially the same or similar purposes. Such Municipal Fund will contain two separate accounts, the Program Account and the Recovery Account, monies in which will be segregated, held and invested separately from other assets of the City.

Moody's

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

Notice of Reallocation

"Notice of Reallocation" means the City's written notice to the Trustee, in the form of Exhibit D hereto, with regard to reallocation among items and categories in the Program Budget.

Ongoing Obligations

"Ongoing Obligations" when used in connection with the Program Budget, refers to a category of funds to be expended by the City for obligations arising out of, and limited to, DTSC Settlement Payments, computer document management, technical activities, project management activities, and Legal Disbursements (but not including any Legal Fees) as further described in Exhibit A hereto.

Opinion of Counsel

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the City) selected by the City. If and to the extent required by the provisions of Sections 2.1 and 2.2 of this Agreement and Section 1.03 of the Trust Agreement, each Opinion of Counsel shall include the statements provided for in Sections 2.1 and 2.2 of this Agreement and Section 1.03 of the Trust Agreement.

Optional Payment Date

"Optional Payment Date" means each date of transfer of funds, other than Program Receipts, by the City to the Trustee for deposit into the Revenue Fund in accordance with Section 6.7(a)(v) hereof.

Ordinance

"Ordinance" means the City's Comprehensive Municipal Environmental Response and Liability Ordinance (Ordinance No. 1650, An Ordinance of the City Council of the City of Lodi Amending Chapter 8.24 (Health and Sanitation) of Title 8 (Health and Safety) of the Lodi Municipal Code), as amended by Ordinance No. ____ and as it may be subsequently amended.

Original Purchaser

"Original Purchaser" means Environmental Restoration Company Ltd. and its successors and assigns.

Outside Counsel

"Outside Counsel" means Envision Law Group LLP, San Mateo, California, which has been selected by the City to represent the City for all matters relating to the Program, in accordance with the Retainer and Fee Agreement.

Outstanding

"Outstanding," when used as of any particular time with reference to Certificates, (subject to the provisions of Section 11.09 of the Trust Agreement) means all Certificates theretofore, or thereupon being, executed and delivered by the Trustee under the Trust Agreement except (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Certificates with respect to which all liability shall have been discharged in accordance with Section 10.01 of the Trust Agreement, including Certificates (or portions of Certificates) referred to in Section 11.10 of the Trust Agreement; and (3) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

Outstanding Certificate Obligations

"Outstanding Certificate Obligations" means, as of any date, the sum of the Accreted Value and Current Interest components of the Certificates.

Outstanding Principal

"Outstanding Principal" means the sum of principal amounts of all Series of Certificates issued, less any amounts representing the principal component of such Certificates which have been repaid to Certificate Holders.

Permitted Deductions

"Permitted Deductions" are amounts which the City may deduct from Program Receipts, up to 25% of Program Receipts collected at any time, as described in Section 6.4 hereof, prior to remittance of such Program Receipts to the Trustee and includes (a) first, certain payments to DTSC for oversight costs pursuant to Section 4.b of the Cooperative Agreement and amounts to create a reserve balance for such payments in an amount up to \$300,000 and (b) second, reimbursement to the City, up to \$2,000,000 in the aggregate over the term of this Agreement, for expenditures that were incurred by the City in connection with the Program in an amount up to \$1,000,000 prior to _____, ____ and in an amount up to an additional \$1,000,000 for expenditures incurred by the City on or after _____, _____.

Person

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Placement Agent

"Placement Agent" means Lehman Brothers Inc. and its successors and assigns.

Placement Fee

"Placement Fee" means the amount of \$1,000,000 payable to the Placement Agent on the Closing Date.

Program

"Program" means the City's environmental abatement program for the Lodi Area of Contamination, including all Abatement Actions (as defined in the Ordinance,) undertaken in connection therewith, which include but are not limited to study, investigation, abatement, removal, remediation or response to an Environmental Nuisance (as defined in the Ordinance) or threat of Environmental Nuisance, monitoring and assessment or evaluation of an Environmental Nuisance, prevention or mitigation of an Environmental Nuisance and enforcement activity in response to an Environmental Nuisance, including litigation and other actions against potentially responsible parties, their indemnitors or insurers, and shall also include all activities related thereto, whether or not expressly described in the Ordinance, including litigation and other actions against potential tortfeasors, their indemnitors or insurers.

Program Account

"Program Account" means the account by that name established under the Municipal Fund.

Program Budget

"Program Budget" means the authorized disbursements of the City from the Program Account, as described in Exhibit A hereto.

Program Receipts

"Program Receipts" means all amounts, proceeds and recoveries from, or in contemplation of, or in connection with, the potential liability of responsible parties or potentially responsible parties, their insurers or indemnitors, or of tortfeasors or potential tortfeasors, their insurers or indemnitors, received by the City (or by any other Person on its behalf) on or after July 30, 1999, or received by the City's Outside Counsel after the Closing Date, in connection with the Program, whether in cash or non-cash form and regardless of how such amounts, proceeds, or recoveries may be characterized, labeled or allocated in any judgment, award, settlement or other agreement or payment, including but not limited to all amounts, proceeds or recoveries characterized or labeled as legal fees or disbursements or as tort claim recoveries, proceeds or settlements.

Purchase Commitment

"Purchase Commitment" means the total sum of up to \$16,000,000 for the purchase of various series of Certificates by the Original Purchaser or by any successor, or lesser amount as provided herein or in the Certificate Purchase Contract.

Quarterly Budget Reporting Form

"Quarterly Budget Reporting Form" means that report, a form of which appears in Appendix A hereto, which the City is required to submit to the Calculation and Verification Agent within 20 Business Days after the beginning of each calendar quarter (except the first quarter) to reconcile the prior quarter's expenditures with the Program Budget and to demonstrate the City's compliance with the Program Budget for the prior quarter.

Rate Adjustment Date

"Rate Adjustment Date" means the first Business Day of each January, April, July and October.

Record Date

"Record Date" means, with respect to any Distribution Date, the Business Day immediately preceding such Distribution Date.

Recovery Account

"Recovery Account" means the account by that name established under the Municipal Fund.

Remittance Report

"Remittance Report" means the City's written report to the Trustee, in the form of Exhibit C hereto, required to be delivered as provided under Section 6.4(b) of this Agreement.

Repurchase Payment Date

"Repurchase Payment Date" means 1) each date of transfer of Program Receipts by the City to the Trustee (net of Permitted Deductions) for deposit into the Revenue Fund in accordance with Section 6.4 hereof and 2) the Final Payment Date.

Repurchase Payments

"Repurchase Payments" means all amounts payable by the City as Repurchase Payments pursuant to Section 6.7(a) hereof.

Repurchase Price

"Repurchase Price" means the sum of (i) the principal amount of all Certificates, together with all interest (whether Current Interest or Compounded Interest) on the Certificates, (ii) the

amount required to pay or fund the Deferred Commitment Fee, and (iii) all Additional Payments required to be made by the City pursuant to Section 6.7(b) hereof.

Retainer and Fee Agreement

"Retainer and Fee Agreement" means the Professional Services Agreement and Scope of Services Statement, dated _____, between Outside Counsel and the City, in which the terms of Outside Counsel's engagement in connection with the Program are set forth.

Revenue Fund

"Revenue Fund" means the fund by that name established under the Trust Agreement, Section 5.02.

S&P

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the state of New York, its successors and assigns.

Series

"Series" means each series of the Certificates executed and delivered pursuant to the Trust Agreement, as often as on a quarterly basis until the Commitment Period Ending Date.

State

"State" means the State of California.

Statement, Request, Requisition, or Order

"Statement," "Request," "Requisition," and "Order" of the City, the Corporation, the Trustee or the Calculation and Verification Agent mean, respectively, a written statement, request, requisition, certificate, or order signed in the name of the City, the Corporation the Trustee or the Calculation and Verification Agent by an Authorized Representative of the City, the Corporation, the Trustee or the Calculation and Verification Agent, respectively. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Article II of this Agreement, each such instrument shall include the statements provided for in Article II of this Agreement.

Supplemental Agreement

"Supplemental Agreement" means any agreement hereafter duly authorized and entered into between the Corporation and the City supplementing, modifying, or amending this Agreement; but only if and to the extent that such Supplemental Agreement is specifically authorized hereunder.

Supplemental Trust Agreement

"Supplemental Trust Agreement" means any trust agreement hereafter duly authorized and entered into between the Corporation and the Trustee supplementing, modifying, or amending the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

Termination Notice

"Termination Notice" means that written notice from the City to the Trustee and the Original Purchaser, a form of which is attached hereto as Exhibit F, as provided under the Certificate Purchase Contract and the Trust Agreement, that the City has permanently and irrevocably discontinued making Issuance Requests.

Trust Agreement

"Trust Agreement" means that certain trust agreement, dated as of **[Dated Date]**, between the Corporation and the Trustee, as originally executed and as it may from time to time be supplemented, modified, or amended in accordance with the terms thereof.

Trustee

"Trustee" means U.S. Bank Trust National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee hereunder as provided in Section 8.01 of the Trust Agreement.

Variable Rate

"Variable Rate" means the variable interest rate evidenced by the Certificates and determined from time to time in accordance with Section 2.04 of the Trust Agreement.

ARTICLE II

CONTENT OF CERTIFICATES AND OPINIONS

Section 2.1. Content of Statements and Opinions. Every statement or opinion provided for in this Agreement with respect to compliance with any provision hereof shall include (1) a statement that the individual making or giving such statement or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion is based; (3) a statement that, in the opinion of such individual, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and (4) a statement as to whether, in the opinion of such individual, such provision has been complied with.

Section 2.2. Reasonable Basis for Statements and Opinions. Any such statement or opinion made or given by an officer of the City may be based, insofar as it relates to legal,

accounting, or environmental matters, upon a statement or opinion of or representation by counsel, an Independent Accountant or an Independent Consultant selected by the City, unless such officer knows, or in the exercise of reasonable care should have known, that the statement, opinion or representation regarding the matters upon which such statement or opinion may be based, as aforesaid, is erroneous. Any such statement or opinion made or given by such counsel, Independent Accountant or Independent Consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City) upon a statement or opinion of or representation by an officer of the City, unless such counsel, Independent Accountant or Independent Consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation regarding the matters upon which such individual's statement or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the City, or the same counsel, Independent Accountant or Independent Consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Agreement, but different officers, counsel, Independent Accountants or Independent Consultants may certify to different matters, respectively.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1. Representations and Warranties of the City. The City makes the following representations and warranties to the Corporation as of the date of the execution of this Agreement and as of the Closing Date (such representations and warranties to remain operative and in full force and effect regardless of delivery of the Certificates or any investigations by or on behalf of the Corporation or the results thereof):

(a) The City is a municipal corporation duly organized and existing under the laws of the State, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement.

(b) This Agreement has been duly authorized, executed, and delivered by the City and constitutes the legal, valid and binding agreement of the City, enforceable against the City in accordance with its terms; except as enforcement may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally and by the application of such equitable principles as the court having jurisdiction may impose, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(c) The execution and delivery of this Agreement, the consummation of the transactions herein and therein contemplated, and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any indenture, mortgage, deed of trust, agreement, lease, contract, the Cooperative Agreement, or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or, to the knowledge of the City, after reasonable inquiry and investigation, any applicable law or administrative rule or regulation, the Ordinance or

any other applicable ordinance, or any applicable court or administrative decree or order, or result in the creation or imposition of any prohibited Lien, charge, or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge, or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement.

(d) No consent or approval of any trustee or holder of any indebtedness of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement, the consummation of any transaction herein contemplated, or the fulfillment of or compliance with the terms and conditions hereof except as have been obtained or made and as are in full force and effect.

(e) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the City after reasonable inquiry and investigation, threatened, against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, could have a material adverse effect upon the consummation of the transactions contemplated by or the fulfillment of or compliance with the terms and conditions of or the validity of this Agreement, and the City is not in material default (and no event has occurred and is continuing which, with the giving of notice or the passage of time or both, could constitute a material default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement.

(f) No representation made, nor any information, exhibit or report furnished to, the Corporation by the City in connection with the negotiation of this Agreement or the Trust Agreement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. There is no fact that the City has not disclosed to the Corporation or the Trustee in writing that materially and adversely affects or in the future may (so far as the City can now reasonably foresee) materially and adversely affect the ability of the City to perform its obligations under this Agreement or any documents or transactions contemplated hereby.

(g) The Program Receipts are free and clear of all Liens and encumbrances, other than Permitted Deductions and may be deposited in the Municipal Fund created under the Ordinance as proceeds of the City's environmental abatement program.

ARTICLE IV

CONVEYANCE OF PROGRAM RECEIPTS

Section 4.1. Sale and Repurchase of Program Receipts. Effective on the Closing Date, (a) the City does hereby and irrevocably sell and convey to the Corporation, without recourse, all Program Receipts in consideration of the receipt from the Corporation of the proceeds of the Certificates executed and delivered on the Closing Date and on each subsequent Delivery Date and the Corporation's agreement hereunder to deliver the same, and (b) the Corporation hereby resells and reconveys to the City all Program Receipts in consideration of the City's agreement hereunder to make payment of the Repurchase Price. The delivery of the proceeds of the Certificates (less, in the case of the initial Series of Certificates, an amount equal to the Placement Fee) by the Corporation shall constitute full consideration for the sale of the Program Receipts by the City.

Section 4.2. Sale Effected Without Further Action. The City and the Corporation agree that, effective on the Closing Date, the Corporation will acquire, upon delivery of the proceeds of the initial Series of Certificates executed and delivered on the Closing Date, a perfected ownership interest in the Program Receipts, and simultaneously therewith the City will reacquire such ownership interest, subject, however, to the lien and pledge on the Program Receipts created pursuant to this Agreement and the Trust Agreement, and that no further action will be required by either party hereto (other than the transfer of the proceeds of the Certificates) to effect the absolute sale and conveyance of the Program Receipts to the Corporation and the resale and reconveyance of the Program Receipts to the City.

Section 4.3. Protective Filings. The City shall take all necessary actions to execute and deliver, or cause to be executed and delivered, to the Corporation and the Trustee all such other and further instruments, documents, and assurances, including the filing of any financing statements under the Uniform Commercial Code as of each Delivery Date and as of each date of settlement or other receipt of Program Receipts, as may be necessary or reasonably required by the Corporation in order to perfect and protect the Corporation's or the Trustee's security interest in the Program Receipts created pursuant to this Agreement and the Trust Agreement. Upon such execution and delivery, the City shall deliver, or cause to be delivered, a copy of all such instruments and documents to the Original Purchaser.

ARTICLE V

TERM OF THE AGREEMENT

Section 5.1. Term. This Agreement shall commence on the Closing Date, and shall terminate upon the payment or discharge by the Corporation of all Certificates in accordance with Article X of the Trust Agreement and the payment in full of the Deferred Commitment Fee and any other amounts authorized or required to be paid by the City hereunder or under the Certificate Purchase Contract and, if full payment of such amounts is made or provided for prior

to the Commitment Period Ending Date, the delivery by the City to the Trustee of a Termination Notice pursuant to the Certificate Purchase Contract.

ARTICLE VI

COVENANTS AND SECURITY PROVISIONS REGARDING PROGRAM RECEIPTS

Section 6.1. Pledge of Program Receipts. In order to secure its obligation to make payment in full of the Repurchase Price of all Program Receipts, the City hereby grants, pledges and assigns to the Corporation a first, prior and perfected security interest in all Program Receipts received by the City (or any other Person on its behalf) or received by the City's Outside Counsel, subject only to the right of the City to make Permitted Deductions from such Program Receipts. Accordingly, the City shall not be entitled to retain any Program Receipts, other than Permitted Deductions, until the Repurchase Price for all Program Receipts has been paid in full.

Section 6.2. No Liens. Except for the conveyances hereunder or any Lien for the benefit of the Corporation, the City will not sell, pledge, assign or transfer, or grant, create, or incur any Lien on, any of the Program Receipts, or any interest therein, and the City shall defend the right, title and interest of the Corporation and the Trustee in, to and under the Program Receipts against all claims of third parties claiming through or under the City.

Section 6.3. Notice of Liens. The City will notify the Corporation and the Trustee promptly after becoming aware of any Lien on any of the Program Receipts, other than the conveyances hereunder. In the event any Lien attaches to or is filed against the Program Receipts, the City, at its own expense, shall cause each such Lien to be fully discharged and released.

Section 6.4. Collection and Remittance of Program Receipts.

(a) The City will deposit all Program Receipts upon receipt thereof in the Recovery Account and, within two Business Days after receipt thereof, will transfer such Program Receipts, net of Permitted Deductions, to the Trustee for deposit into the Revenue Fund held by the Trustee under Section 5.02 of the Trust Agreement. In no event will the City be obligated to transfer Program Receipts to the Trustee in excess of amounts necessary to pay the Outstanding Certificate Obligations, deposits to the Deferred Commitment Fee Reserve Account, and any other payments due hereunder. The City hereby covenants that it will maintain the Recovery Account as a separate account under the Municipal Fund and that amounts in the Recovery Account will be segregated, held and invested separately from other assets of the City.

(b) The City shall accompany each remittance of Program Receipts to the Trustee with a Remittance Report in the form of Exhibit C hereto, detailing the source(s) of the total Program Receipts received, the date the Program Receipts were received, their total amount, and the City's calculation of any Permitted Deductions and deposits to the Deferred Commitment Fee Reserve Account. Simultaneously with the City's delivery

of each Remittance Report to the Trustee, the City shall deliver a copy of the Remittance Report to the Calculation and Verification Agent. In accordance with such Remittance Report, the City shall direct the Trustee to return to the City any amounts which the Calculation and Verification Agent determines to be in excess of the amounts required to be transferred to the Trustee under Section 6.4(a) above.

(c) The City covenants, represents and agrees that it will use its best efforts to give the Trustee and the Calculation and Verification Agent, as soon as practicable, notice of the date that any recoveries, payments settlements or judgments are anticipated to be received in the Recovery Account, together with the approximate amount of any such receipts. The City agrees that the duty to deposit Program Receipts into the Recovery Account and to transfer Program Receipts to the Trustee is a ministerial obligation that can be enforced against the City in a suit by mandamus.

(d) The City agrees that the amount of Program Receipts transferred to the Trustee hereunder shall include the amount necessary, as calculated by the Calculation and Verification Agent, to fund the Deferred Commitment Fee Reserve Account created under Section 5.03 of the Trust Agreement, which amount shall be the then outstanding balance of the Deferred Commitment Fee as calculated in accordance with Section 3 of the Certificate Purchase Contract.

(e) Notwithstanding the foregoing, if, on or before the Commitment Period Ending Date, there are no Certificates Outstanding, the Deferred Commitment Fee Reserve Account is fully funded, and no Commitment Termination Event has occurred, then the City may retain all Program Receipts and, subject to payment of Permitted Deductions, may deposit such Program Receipts into the Program Account. All amounts so retained pursuant to this subsection (e), will reduce, dollar for dollar, the amount of any Purchase Commitment under the Certificate Purchase Contract, unless the Original Purchaser (which may withhold its approval in its sole discretion) agrees that no reduction of the Purchase Commitment will occur. Program Receipts deposited to the Program Account in accordance with this subsection (e) may then be used to pay (1) Budgeted Program Costs and (2) the remainder, if any, of Permitted Deductions. When there are no Certificates outstanding, and all other obligations under this Agreement have been fully satisfied and the Purchase Commitment has been terminated, all of the foregoing limitations will be of no further force and effect.

Section 6.5. Subordination of Claims under Retainer and Fee Agreement. The City covenants, represents and warrants that it has entered into the Retainer and Fee Agreement with Outside Counsel whereby Outside Counsel agrees that any claims it might have against the Program Receipts and any other amounts payable in connection with the Program are fully subordinate to any and all claims of the Original Purchaser and any other Certificate Holders, including the right of the Original Purchaser to receive the Deferred Commitment Fee. The City hereby assigns all rights under any subordination agreement with Outside Counsel to the Original Purchaser and any other Certificate Holders, as well as, to the extent permitted by law, the City's rights to any claims which the City could raise against such counsel as a result of any error or omission in connection with services rendered by such counsel to the City. If the City substitutes its Outside Counsel or modifies the terms of engagement of its Outside Counsel, it

shall promptly notify the Original Purchaser and, if such substitution or modification, in the sole determination of the Original Purchaser, results in a materially prejudicial change, the Original Purchaser may terminate the Purchase Commitment. The City covenants that all fees and disbursements incurred by Outside Counsel and any other law firms that have provided services to the City in connection with the Program prior to the date hereof have either been paid in full or are subordinated in accordance with this Section 6.5.

Section 6.6. Settlements.

(a) The City may, in its sole discretion, accept cash or non-cash settlements of legal actions under the Program, including but not limited to administrative orders and proceedings and judicial proceedings, in accordance with subparagraphs (i) and (ii) below when a defendant, potentially responsible party, potential tortfeasor, indemnitor or insurer wishes to settle, make payment or otherwise resolve its liabilities in connection with the Program.

(i) If the City accepts a non-cash settlement when any Certificates are Outstanding, the City will deposit into the Recovery Account, as Program Receipts, from any available funds of the City, an amount sufficient to pay Certificates with an Accreted Value equivalent to the dollar value of the non-cash settlement, as determined and certified to by an Independent Consultant; and

(ii) If there is any remaining dollar value after the payment under subparagraph (i) above (i.e., the dollar value of the non-cash settlement is greater than the Accreted Value of the Outstanding Certificates) or if there are no Outstanding Certificates, the City's acceptance of a non-cash settlement will reduce the Purchase Commitment by the remaining dollar value of the non-cash settlement, as determined by an Independent Consultant.

(b) Provisions (i) and (ii) of paragraph (a) above do not apply with respect to a maximum of two Covered Subjects for which the City accepts non-cash settlements that resolve or release the defendants' or potentially responsible parties' or potential tortfeasors' insurers' duty to defend, if:

(i) Policy or coverage limits are not reduced, eroded, or otherwise affected by the settlement; and

(ii) With respect to each defendant, potentially responsible party or potential tortfeasor, there remains at least one "highly rated insurer," with a duty to defend, with which the City has not settled such duty to defend on a non-cash basis. A "highly rated insurer" means an insurer with a claims paying ability rating of A3 or greater by Moody's or A- or greater by S&P at the date of the settlement in question.

(c) The Trustee may waive in writing provisions (i) and (ii) under paragraph (a) above in advance of a settlement upon the written direction of the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the

aggregate, at least 51% of the Outstanding Accreted Value. The Original Purchaser and Certificate Holders shall be reasonable in considering a request for such a waiver.

(d) Prior to the finalization of any settlement under this Section 6.6, the City will provide detailed reports to the Trustee, the Original Purchaser and all Certificate Holders regarding all cash and non-cash settlements, including information sufficient to demonstrate that the requirements of this Section 6.6 have been met and including information requested by the Independent Consultant in order to establish the dollar value of the settlement.

Section 6.7. Payments.

(a) Repurchase Payments. The Accreted Value component and the Current Interest component of Repurchase Payments made hereunder shall be assigned to the Trustee and shall constitute the source of payment with respect to the Certificates issued under the Trust Agreement. For each Series of Certificates issued as of any Delivery Date pursuant to the Trust Agreement, the City shall make Repurchase Payments at the time and in the amounts set forth below.

(i) Mandatory Payment of Repurchase Payments. The Accreted Value and Current Interest components of the Repurchase Payment with respect to any Series of Certificates will be due and payable on each Repurchase Payment Date, in an amount which totals the amount of Program Receipts transferred to the Revenue Fund (rounded to the nearest \$1,000 denomination), to be applied as provided in Section 6.7(a)(vi) below.

(ii) Calculation and Accrual of Current Interest. The Current Interest component of the Repurchase Payment for each Interest Period or portion thereof preceding a Repurchase Payment Date shall equal the sum of interest accruing at the Variable Rate in effect during each such Interest Period on the outstanding Accreted Value of such Series of Certificate on each day during such Interest Period, as provided in Section 2.04 of the Trust Agreement. In no event shall the Variable Rate exceed 30 percent per annum. The sum of all unpaid Current Interest for all Interest Periods or portions thereof during any calendar year shall be added to Accreted Value of the Certificates as of each December 31, after which date such Accreted Value will bear interest at the Variable Rate.

(iii) Cessation of Interest Accrual. If as a result of one or more final judgments of a court, including courts of appeal and the California and United States supreme courts, the City concludes and informs the Original Purchaser and the Trustee in writing that it will no longer engage in activities in pursuit of Program Receipts, then the Original Purchaser will enter into a written agreement (the "Cessation Agreement") thereby causing interest to cease to accrue on the Certificates thirty-six months after the date of such Cessation Agreement. The Cessation Agreement shall be null and void if the City for any reason continues to engage in activities in pursuit of Program Receipts subsequent to the date of the Cessation Agreement.

(iv) Source and Use of Repurchase Payments. As provided in Article VI hereof, the City and the Corporation agree that all Repurchase Payments required to be made hereunder shall be paid by the City exclusively from Program Receipts, shall be secured by a first and prior lien on all Program Receipts, and shall be used to pay Outstanding Certificate Obligations.

(v) Optional Payment From Other Funds. In addition to its obligation to pay Repurchase Payments from Program Receipts as provided herein, the City shall have the option, at any time and from time to time, to make Repurchase Payments from any other legally available funds. To exercise such option, the City shall transfer such other funds to the Trustee, as assignee of the Corporation, and provide the Trustee with an Order of the City directing that such funds be applied to the payment of Outstanding Certificate Obligations in accordance with Section 4.02 of the Trust Agreement. Amounts transferred to the Trustee pursuant to this Section shall be deposited in the Revenue Fund and will be credited against the Outstanding Certificate Obligations in accordance with Section 6.4 hereof.

(vi) Application of Payments. All Program Receipts deposited into the Revenue Fund shall be applied: first, to the costs of indemnification of the Placement Agent, the Calculation and Verification Agent, the Original Purchaser and Certificate Holders under Section 8.2 hereof; second, to the Current Interest component of the Repurchase Payments due hereunder; third, to the Compounded Interest portion of the Accreted Value component of the Repurchase Payments due hereunder; fourth, to the Outstanding Principal portion of the Accreted Value component of the Repurchase Payments due hereunder; fifth, to fully fund the Deferred Commitment Fee Reserve Account; and sixth, to pay any portion of the Deferred Commitment Fee, if and when due, to the Original Purchaser. Any Repurchase Payment not paid when due shall bear interest from the date such payment is first due at the Variable Rate, as adjusted from time to time and as compounded in accordance with the terms hereof and of the Trust Agreement. Any interest paid on the Certificates (either Current Interest or Compounded Interest) will reduce the Deferred Commitment Fee, and the required balance in the Deferred Commitment Fee Reserve Account, dollar for dollar.

(b) Additional Payments. The City will pay, within 10 Business Days after receipt of an invoice therefor, (i) all taxes and assessments of any type or character charged to the Corporation or the Trustee as a result of the sale or repurchase of Program Receipts or in any way arising due to the transactions contemplated hereby, (ii) all costs and expenses incurred by the Corporation, the Trustee and the Calculation and Verification Agent in connection with the execution, performance or enforcement of this Agreement and of the Trust Agreement, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Corporation, the Trustee and the Calculation and Verification Agent in connection with the execution and delivery of each Series of Certificates and collection and distribution of the Program Receipts, together with all salaries and wages of employees, all expenses, compensation and indemnification of the Trustee payable by the Corporation under the Trust Agreement,

fees of auditors, accountants, attorneys or taxes and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or the Trust Agreement, (iii) all costs of indemnification of the Corporation and the Trustee under Section 8.2 hereof, (iv) the Deferred Commitment Fee (including required deposits to the Deferred Commitment Fee Reserve Account) and (v) all costs of indemnification of the Placement Agent, the Calculation and Verification Agent, the Original Purchaser and Certificate Holders under Section 8.2 hereof. The City reserves the right to audit billings for such Additional Payments although exercise of such right shall in no way affect the duty of the City to make full and timely payment for all such Additional Payments.

The City will make payments described in the preceding paragraph (except for payments under clauses (iv) or (v) above) from any lawfully available moneys of the City. The City will make payments described in clause (iv) solely from Program Receipts. The City will make payments described in clause (v) from Program Receipts and any proceeds of insurance or self-insurance programs in which the City has participated or will participate.

Section 6.8. Obligations of the City Unconditional. Except as otherwise provided herein, the obligation of the City to make payments hereunder and to perform and observe other agreements on its part contained herein is absolute and unconditional, and shall not be abated, rebated, setoff, reduced, abrogated, terminated, waived, diminished, postponed, or otherwise modified in any manner or to any extent whatsoever while any Certificates remain Outstanding or any other payments required hereunder remain unpaid, regardless of any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the laws of the United States of America or of the State or any political subdivision thereof or in the rules or regulations of any governmental authority, or any failure of the Corporation to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with this Agreement or the Trust Agreement. The City shall pay over and transfer all Program Receipts and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement, or counterclaim that the City might otherwise have against the Corporation or any other party or parties.

Notwithstanding the above, the obligations of the City to pay Repurchase Payments, the Deferred Commitment Fee and the indemnity obligations to the Special Indemnified Parties described in Section 8.2 hereof are special obligations of the City payable solely from the Program Receipts (or insurance proceeds or self-insurance as described in Section 6.7(b) above) as provided herein and in the Trust Agreement. Neither the general fund nor any enterprise fund of the City is liable (except to the extent that Program Receipts are credited thereto), and neither the credit nor the taxing power of the City is pledged for the payment of the Repurchase Payments or the Deferred Commitment Fee. To the extent that the City is unsuccessful in recovering sufficient amounts to make the Repurchase Payments required to be made hereunder (representing the Accreted Value and Current Interest components of the Certificates) from Program Receipts designated as Abatement Action Costs (as defined in the Ordinance) or "clean up costs" from responsible parties or tortfeasors, Certificate Holders will be entitled to be paid from any Program Receipts, notwithstanding the manner in which such receipts are labeled or described in any judgment, settlement agreement or insurance payment.

Section 6.9. Payment of the Deferred Commitment Fee. If on any date all Certificates have been paid or discharged in accordance with the Trust Agreement and, if such date is prior to the Commitment Period Ending Date, either (i) the maximum aggregate principal amount of Certificates, subject to certain reductions as permitted by the Certificate Purchase Contract and the Trust Agreement, has been issued and delivered under the Trust Agreement, or (ii) any other Commitment Termination Event has occurred, then the City shall direct the Trustee to apply all amounts in the Deferred Commitment Fee Reserve Account and all other Program Receipts to the payment of the Deferred Commitment Fee, as provided under Sections 5.03 and 5.04 of the Trust Agreement.

Section 6.10. Taxes, Other Governmental Charges. The City covenants, warrants and agrees that the Program Receipts will be exempt from all taxes of any kind, and if the Program Receipts are subject to taxation in any form, the City will pay, as the same become due and in accordance with Section 6.7(b), all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Program.

Section 6.11. Application of Moneys in the Program Account. The City will deposit all proceeds of the Certificates, upon receipt, into the Program Account and will invest all such amounts, until they are applied to the payment of Budgeted Program Costs, in Investment Securities which mature by the date they are expected to be used. The City hereby covenants that it will maintain the Program Account as a separate account under the Municipal Fund and that amounts in the Program Account will be segregated, held and invested separately from other assets of the City.

The City will apply moneys in the Program Account for the sole purpose of paying Budgeted Program Costs in accordance with the Program Budget, attached hereto as Exhibit A, and will comply with all expenditure limitations by category (Legal Fees and Ongoing Obligations) and applicable sub-categories (Legal Fees by tier and Ongoing Obligations consisting of DTSC Settlement Payments, computer document management, technical activities, project management and Legal Disbursements), except as such limitations are modified pursuant to Section 6.12 below. Within 20 Business Days after the end of each calendar quarter during the Commitment Period, or thereafter while any Certificates are Outstanding and the Deferred Commitment Fee has not been paid in full, the City shall prepare and transmit to the Calculation and Verification Agent a Quarterly Budget Reporting Form, in the form attached to Exhibit A, and will submit an amended Quarterly Budget Reporting Form to the Calculation and Verification Agent when invoices for services rendered during a quarter are received or paid after the filing of the Quarterly Budget Reporting Form for that quarter. The Calculation and Verification Agent, as directed in the Quarterly Budget Reporting Form, shall verify the City's calculations, shall determine whether the application of amounts in the Program Account is in compliance with the Program Budget, and shall promptly transmit a report describing the result of its review to the City, the Original Purchaser, other Certificate Holders and the Trustee. Upon receipt of notice that the City's calculations were erroneous or that any disbursements were not in compliance with the Program Budget, the City shall, as applicable, promptly correct its calculations and take all necessary actions to comply with the Program Budget. The City shall promptly transmit to the Calculation and Verification Agent an amended Quarterly Budget Reporting form showing all recalculations and any actions taken to comply with the Program Budget, and the Calculation and Verification Agent shall follow the procedures described above

with respect to the initial submission of the applicable Quarterly Budget Form. The Trustee shall receive copies of all Quarterly Budget Reporting Forms, amendments thereto and reports issued thereunder and shall transmit copies to the Original Purchaser and Certificate Holders but shall have no duty to review such reports filed with it hereunder and shall not be responsible for the application of or allocation of amounts in the Program Account.

Section 6.12. Program Budget: Reallocation of Certain Amounts. The City may reallocate funds in the Program Account subject to the guidelines and limitations provided in the Program Budget, attached hereto as Exhibit A. In the event that the City elects to reallocate amounts deposited into the Program Account from Ongoing Obligations to Legal Fees or from Legal Fees to Ongoing Obligations, then the City, prior to such reallocation and expenditure, will file a Reallocation Notice Regarding Amounts in Program Account with the Trustee in the form of Exhibit D hereto and will certify that such reallocation is consistent with the provisions of this Section and the Program Budget. Within 5 Business Days after the receipt thereof, the Trustee shall transmit a copy of any Reallocation Notice to the Original Purchaser, other Certificate Holders, and the Calculation and Verification Agent.

Any request for an increase to the Ongoing Obligation Payment Limits set forth in Exhibit A hereto must be delivered by the City to the Trustee in the form of the Ongoing Obligation Payment Limit Increase Approval Form, attached hereto as Exhibit E, for transmittal to the Original Purchaser and Certificate Holders within 5 Business Days after the Trustee's receipt thereof and must be approved by the Original Purchaser and Certificate Holders within 5 Business Days after the Original Purchaser's and Certified Holders' receipt thereof. If such approval is not received by the Trustee within 5 Business Days, the request shall be deemed denied. In accordance with the Ongoing Obligation Payment Limit Increase Approval Form, the Trustee shall send a report of the Original Purchaser's and other Certificate Holders' response to the City, the Calculation and Verification Agent, and the Original Purchaser and other Certificate Holders. The Trustee shall deliver to the Original Purchaser, the Certificate Holders, the City and the Calculation and Verification Agent, as the case may be, but shall have no duty to review, such notices, reports, requests or certifications filed with it under this Section 6.12 and shall not be responsible for the application or allocation of amounts in the Program Account.

Section 6.13. Delivery of Reports and Records. The City agrees to deliver, or to cause to be delivered, reports to the Trustee, to the Calculation and Verification Agent, to the Corporation and to the Original Purchaser and any other Certificate Holder on a quarterly basis, or more often as reasonably requested, regarding the application of amounts in the Program Account, including statements of Legal Fees, classified by individual attorney, task performed and time devoted to task, and a detailed report of Ongoing Obligations, including Legal Disbursements, subject to the assertion of any privilege or protection of any nature, including but not limited to the attorney-client privilege and the attorney work-product protection, available to the City or its attorneys. Subject to the assertion of any such privilege or protection, the City will allow the Trustee (who will have no duty to review or inspect such records and documents), the Calculation and Verification Agent, the Original Purchaser, any Certificate Holder and any auditor on behalf of the Corporation, access to all records and documents detailing receipt of amounts into the Program Account and disbursements from the Program Account. Reports and records required by this Section 6.13 will include the information required by Sections 6.4(b), 6.6(d), 6.11 and 6.12 hereof.

Section 6.14. Annual Certification and Audit. As soon as practicable but in no event later than April 30 of each year, the City shall file with the Trustee and the Calculation and Verification Agent a written statement of an Independent Accountant and a certificate from an Authorized Representative of the City, having reviewed the City's records and the provisions of this Agreement, including but not limited to Section 6.13 and Exhibit A, Exhibit D, and Exhibit E hereof, stating that nothing has come to the attention of such Independent Accountant or Authorized Representative that would lead such Independent Accountant or Authorized Representative to believe that (i) amounts in the Program Account have been applied in violation of this Agreement, such as moneys being expended for Legal Fees and Ongoing Obligations in violation of the Program Budget, moneys being reallocated in a manner violating the Program Budget, or any budget cap or limitation being exceeded, (ii) the receipt and remittance of Program Receipts or the calculation, retention and payment of Permitted Deductions are in violation of the terms of this Agreement or the Program Budget, or (iii) any settlement entered or proposed to be entered is not in accordance with the terms of Section 6.6 hereof, or (iv) any other Event of Default hereunder shall have occurred and be continuing.

Section 6.15. Diligent Pursuit of Program Receipts; Engagement of Outside Counsel. The City hereby covenants that, until all Outstanding Certificates and the Deferred Commitment Fee have been fully paid and the Purchase Commitment has been reduced to zero, it will diligently pursue collection of Program Receipts, will at all times have engaged competent legal counsel with recognized expertise in matters involving environmental litigation, and will not terminate the Cooperative Agreement or cause the Cooperative Agreement to be terminated.

Section 6.16. Single Purpose Corporation. The City hereby covenants that it will not use the Corporation for, and the Corporation hereby covenants that it will not participate in, any other financing or other arrangement in addition to the sale and repurchase of Program Receipts and issuance of the Certificates hereunder and under the Trust Agreement.

Section 6.17. Cooperation With Removal or Replacement of Trustee. The City hereby covenants that it will cooperate with the Corporation as needed in connection with the removal or replacement of the Trustee in accordance with Section 8.01(d) of the Trust Agreement.

ARTICLE VII

ASSIGNMENT OF AGREEMENT TO TRUSTEE

Section 7.1. Assignment by City and Corporation. The parties understand that this Agreement and certain rights of the Corporation hereunder will be assigned to the Trustee pursuant to an assignment provision in the Trust Agreement. The City hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Certificates and for the benefit of the Original Purchaser (to the extent of its interest in the Deferred Commitment Fee) all of its right, title, and interest in this Agreement and all of its interest in the Program Receipts, net of Permitted Deductions. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements that may be reasonably requested by the Corporation, the Trustee, the Original Purchaser or any Holder to protect their interests in the Program Receipts during the term hereof, and to provide

copies thereof to the Corporation, the Trustee, the Calculation and Verification Agent, the Original Purchaser, and upon request therefor, to any Certificate Holder so requesting.

ARTICLE VIII

NON-LIABILITY OF CORPORATION; INDEMNIFICATION

Section 8.1. Non-Liability of Corporation. The Corporation shall not be obligated to pay Repurchase Payments or the Deferred Commitment Fee or to make any other payments or advance any moneys or be liable for any other costs or expenses hereunder.

Section 8.2. Indemnification.

(a) General Indemnity. The City shall, to the extent permitted by law, indemnify and hold harmless the Corporation, the Trustee (as the assignee of the Corporation's rights hereunder), the Placement Agent, the Calculation and Verification Agent, the Original Purchaser, each Certificate Holder and their members, directors, officers, employees, and agents from and against any and all losses, claims, damages, liabilities, or expenses of every kind, character, and nature whatsoever (excepting therefrom only such losses, claims, damages, liabilities, or expenses arising from the negligence of the Corporation or the Trustee), including, but not limited to, losses, claims, damages, liabilities, or expenses arising out of, resulting from, or in any way connected with (1) the City's interest in, or use of, the Program Receipts or any portion thereof; (2) the sale of the Certificates and the carrying out of any of the transactions contemplated by the Certificates, the Certificate Purchase Contract, the Trust Agreement, this Agreement or any related document; (3) the carrying out of the Program; or (4) the acceptance of and administration by the Trustee of the Trustee's duties under the Trust Agreement. The City shall, to the extent permitted by law and, with respect to the indemnification of the Placement Agent, the Calculation and Verification Agent, the Original Purchaser and each Certificate Holder, (each a "Special Indemnified Party"), to the extent permitted by clause (b) below, pay or reimburse the Corporation, the Trustee, the Special Indemnified Parties and their members, directors, officers, employees and agents for any and all costs, reasonable attorneys fees, liabilities or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions. Notwithstanding anything to the contrary in this Agreement or the Trust Agreement, the Trustee and the Corporation shall not be entitled to payment, reimbursement or indemnification for actions involving willful misconduct, default or negligence on the part of the Trustee or the Corporation, respectively.

(b) Limited Source Indemnity. The obligation of the City to defend, indemnify, and hold harmless the Special Indemnified Parties for any suits or claims arising from the sale of the Certificates or the City's pursuit of the Program (as described in the preceding paragraph), shall be payable solely from (i) Program Receipts, and (ii) any proceeds of insurance or self-insurance programs in which the City has participated or will participate. With regard to item (i), if currently available Program

Receipts are insufficient to pay attorney fees and expenses and other litigation related costs at the time they are incurred, the Special Indemnified Parties may fund the excess of such fees and expenses, and any future Program Receipts will be used to reimburse the Special Indemnified Parties for such amounts. With regard to item (ii), the City agrees to cooperate fully with the Special Indemnified Parties in submitting and pursuing claims against such City insurers, although the City will have no obligation to maintain any insurance coverage.

(c) Special Conditions. The City's indemnity obligation to the Special Indemnified Parties under section (b) above is subject to the following conditions:

(1) The City will pay attorneys' fees and costs of a single law firm chosen by the Special Indemnified Parties to collectively represent the Special Indemnified Parties, and such counsel shall, to the extent consistent with the Special Indemnified Parties' interests, cooperate with the City and avoid duplication and wastefulness in the assertion of defenses;

(2) The City will pay attorneys' fees and costs of additional law firms to represent an individual Special Indemnified Party where (i) the counsel retained under (c)(1) above could not, as a result of applicable law or code of professional responsibility, assert a defense on behalf of such an individual Special Indemnified Party while simultaneously representing the other Special Indemnified Parties for reasons including, but not limited to, a situation in which the use of counsel chosen by the Special Indemnified Parties to represent the Special Indemnified Party or Parties would present such counsel with a conflict of interest, or in which the actual or potential defendants in, or targets of, any such action include the Special Indemnified Party or Parties and the City and the Special Indemnified Party or Parties shall have reasonably concluded that there may be legal defenses available to it and/or other Special Indemnified Parties that are different from or additional to those available to the City; or (ii) the City otherwise authorizes the Special Indemnified Parties to employ separate counsel at the expense of the City; and

(3) The City will not, without the prior written consent of the Special Indemnified Parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in which indemnification or contribution may be sought hereunder (whether or not the Special Indemnified Parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each Special Indemnified Party from all liability arising out of such claim, action, suit or proceeding.

The provisions of this Article VIII shall survive the discharge of the City's obligations under the Trust Agreement.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default. The following events shall be "Events of Default":

(a) Failure of the City to remit Program Receipts to the Trustee when required hereunder.

(b) Failure by the City to pay or cause to be paid in full any payment required hereunder when due, on a Repurchase Payment Date, on the Final Payment Date, or otherwise pursuant to the terms hereof; provided, however it shall not be a default hereunder if there is a failure to make such payments on a timely basis if such failure is caused solely by the insufficiency of Program Receipts so long as the City is not otherwise in default hereunder and any such payment is required to be made solely from Program Receipts;

(c) If any material representation or warranty made by the City herein or in the Certificate Purchase Agreement Contract or made by the City in any other document, instrument, or certificate furnished to the Trustee or the Corporation in connection with the execution and delivery of any Series of the Certificates shall at any time be shown to have been incorrect in any respect as of the time made;

(d) If the City shall fail to observe or perform any covenant, condition, agreement, or provision in this Agreement on its part to be observed or performed, other than as referred to in subsection (a), (b) or (c) of this Section, or shall breach any warranty by the City herein contained, for a period of 30 days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the City by the Corporation or the Trustee; except that, if such failure or breach can be remedied but not within such thirty (30) day period and if the City has taken all action reasonably possible to remedy such failure or breach within such 30 day period, such failure or breach shall not become an Event of Default for so long as the City shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(e) Any proceeding under the United States Bankruptcy Code or any federal or state bankruptcy, insolvency, or similar law or any law providing for the appointment of a receiver, liquidator, trustee or similar official of the City or the Corporation or of all or substantially all of either the City's or the Corporation's assets, is instituted by or with the consent of the City or the Corporation, or is instituted without the City's or the Corporation's consent and is not permanently stayed or dismissed within sixty (60) days, or if the City or the Corporation offers to the City's or the Corporation's creditors to effect a composition or extension of time to pay the City's or the Corporation's debts or asks, seeks or prays for a reorganization or to effect a plan of reorganization, or for a readjustment of the City's or the Corporation's debts, or if the City or Corporation shall

make a general or any assignment for the benefit of the City's or the Corporation's creditors.

(f) Any assertion in any proceeding, forum or action by the City or on its behalf to the effect that performance of the City's obligations under this Agreement are unlawful or of the City's intention to disavow or repudiate any such obligations.

(g) If an Event of Default occurs under the Trust Agreement.

Section 9.2. Remedies on Default. In each and every such case during the continuance of such an Event of Default, the Corporation and the Trustee may, at their option, take whatever action, at law or in equity, as may appear necessary or desirable to collect the Program Receipts and to cause to be paid any other payments then due and thereafter to become due under this Agreement or to enforce the performance and observance of any obligation, covenant, agreement, or provision contained in this Agreement to be observed or performed by the City. The Original Purchaser may, in its sole discretion and without any liability for liquidated damages, terminate the Purchase Commitment upon the occurrence of an Event of Default.

Section 9.3. Remedies Not Exclusive; No Waiver of Rights. No remedy herein conferred upon or reserved to the Corporation or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy, to the extent permitted by law, shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or otherwise. In order to entitle the Corporation and the Trustee to exercise any remedy, to the extent permitted by law, reserved to it in this Agreement, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given to the Corporation hereunder shall also extend to the Trustee, and the Trustee may exercise any rights and will be charged with the obligations of the Corporation under this Agreement, and the Trustee and the Certificate Holders shall be deemed third party beneficiaries of all covenants and conditions herein contained.

No delay in exercising or omitting to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 9.4. Expenses on Default. In the event the City should default under any of the provisions of this Agreement and the Corporation or the Trustee should employ attorneys or incur other expenses of the collection of the payments due hereunder, the City agrees that it will on demand therefor pay to the Corporation or the Trustee the reasonable fee of such attorneys and such other expenses so incurred by the Corporation or the Trustee.

Section 9.5. Notice of Default. The City agrees that as soon as is practicable, and in any event within 10 days after such event, the City will furnish the Trustee and the Corporation notice of any event that is an Event of Default, or that with the giving of notice or the passage of time or both could constitute an Event of Default, that has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action that the City

proposes to take with respect thereto. Upon having actual notice of the existence of an Event of Default, the Trustee shall serve written notice thereof upon the City (unless the City has expressly acknowledged the existence of such Event of Default in a writing delivered by the City to the Trustee or filed by the City in any court).

Section 9.6. Survival of Obligations. The City covenants and agrees with the Corporation that, until all obligations hereunder have been met and all obligations have been discharged in accordance with the Trust Agreement, its obligations hereunder shall survive the cancellation and termination of this Agreement, for any cause, and that the City shall continue to make all payments, and perform all other obligations provided for in this Agreement, all at the time or times provided in this Agreement. Notwithstanding the above, as the provisions of Section 8.2 hereof shall survive the discharge of the City's obligations under the Trust Agreement.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All notices or communications herein required or permitted to be given shall be in writing mailed or delivered to it as follows:

- (i) If to the Corporation:

Lodi Financing Corporation
c/o City of Lodi
221 West Pine Street
Lodi, California 95240
Attention: President

- (ii) If to the City:

City of Lodi
221 West Pine Street
Lodi, California 95240
Attention: City Attorney

- (iii) If to the Trustee:

U.S. Bank Trust National Association
One California Street, Fourth Floor
San Francisco, California 94111
Attention: Corporate Trust Services
Reference: Lodi Financing Corporation

- (iv) If the Calculation and Verification Agent:

Lehman Brothers Inc.

Attention: _____

The Corporation, the City, the Trustee and the Calculation and Verification Agent may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates and other communications shall be sent.

Section 10.2. Governing Law. This Agreement shall be construed in accordance with and governed by the Constitution and laws of the State of California.

Section 10.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Corporation, the City and their respective successors and assigns, including the Original Purchaser and any subsequent Certificate Holders subject, however, to the limitations contained herein.

Section 10.4. Severability of Invalid Provisions. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement and such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein. The Corporation and the City each hereby declares that they would have entered into this Agreement and each and every other section, paragraph, sentence, clause, or phrase hereof irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid, or unenforceable.

Section 10.5. Article and Section Headings and References. The headings or titles of the several articles and sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, or effect of this Agreement. All references herein to "Articles," "Sections," and other subsections are to the corresponding articles, sections, or subsections of this Agreement; the words "herein," "hereof," "hereby," "hereunder," and other words of similar import refer to this Agreement as a whole and not to any particular article, section, or subsection hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 10.6. Agreement Represents Complete Agreement; Amendments. This Agreement represents the entire contract between the parties hereto. This Agreement may not be effectively amended, changed, modified, altered, or terminated except by the written agreement of the Corporation and the City, given in accordance with the provisions of the Trust Agreement.

Section 10.7. Trustee Third Party Beneficiary. The Trustee is hereby designated a third party beneficiary hereunder for the purpose of enforcing any of the rights hereunder assigned to the Trustee. In accordance with Section 9.3 hereof, the Trustee and the Certificate Holders shall be deemed third party beneficiaries of all covenants and conditions contained herein.

Section 10.8. Waiver of Personal Liability. No governing body member, officer, agent, or employee of the Corporation or of the City shall be individually or personally liable for the payment of Repurchase Payments or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Agreement; but nothing herein contained shall relieve any such governing body member, officer, agent, or employee from the performance of any official duty provided by law or by this Agreement.

Section 10.9. Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the City and the Corporation have caused this Agreement to be executed in their respective corporate names, all as of the date first above written.

CITY OF LODI

By: _____
City Manager

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

LODI FINANCING CORPORATION

By: _____
President

ATTEST:

Secretary

APPROVED AS TO FORM:

Corporation Counsel

EXHIBIT A

PROGRAM DISBURSEMENT BUDGET

The Program Disbursement Budget sets out the amount, timing and limitations for amounts to be deposited into the Program Account and consists of: (a) caps on disbursements for (i) professional fees of Outside Counsel ("Legal Fees") and (ii) "Ongoing Obligations," consisting of City reimbursement payments for previously made DTSC settlement payments for certain previously incurred response costs pursuant to Section 4.a of the Cooperative Agreement ("DTSC Settlement Payments"), computer document management, technical activities, project management and amounts invoiced by Outside Counsel for out-of-pocket direct expenses ("Legal Disbursements"), (b) a methodology for paying Legal Fees, (c) a methodology for reallocating budget items to provide flexibility for unforeseen events and (d) a methodology for handling Purchase Commitment reductions. Legal fees, Legal Disbursements, and all other costs incurred in connection with the Program prior to the Closing Date, except up to \$610,899 in DTSC Settlement Payments, are not included within this Program Disbursement Budget and shall not be paid from Certificate proceeds, Program Receipts or any other source until no Certificates are outstanding, the Purchase Commitment has ended or has been terminated and all other obligations under the Sale and Repurchase Agreement have been fully satisfied.

The City is required to submit the attached Quarterly Budget Reporting Form ("QBRF") to the Calculation and Verification Agent within 20 Business Days after the beginning of each calendar quarter (except the first quarter) to reconcile the prior quarter's expenditures with this Program Disbursement Budget and to demonstrate the City's compliance with this Program Disbursement Budget for the prior quarter. The City must submit an amended QBRF when invoices for services rendered during a quarter are received or paid after the filing of the QBRF for that quarter or when the Calculation and Verification Agent, in accordance with Section 6.11 of the Program Receipts Sale and Repurchase Agreement, dated _____, _____, (the "Sale and Repurchase Agreement") between the City of Lodi and the Lodi Financing Corporation, determines that the City's calculations were erroneous or that any disbursements were not in compliance with the Program Budget. If there are any ambiguities or discrepancies between the description of the Program Disbursement Budget in this Exhibit A and the QBRF, the latter will govern.

All capitalized terms used herein that are not otherwise defined shall have the meanings as set forth in the Sale and Repurchase Agreement.

(a) Disbursement Caps

Table I: Cumulative Disbursement Cap

Beginning of Quarter	Cumulative Disbursement Cap
1	\$ 1,500,000
2	3,000,000
3	4,500,000
4	6,000,000
5	7,125,000
6	8,250,000
7	9,375,000
8	10,500,000
9	11,250,000
10	12,000,000
11	12,750,000
12	13,500,000
13	13,875,000
14	14,250,000
15	14,625,000
16	15,000,000

The maximum amount that may be transferred to the Program Account within the Municipal Fund from Certificate proceeds in each quarter is (x) the Cumulative Disbursement Cap for that quarter (from Table I) less (y) all amounts transferred previously.

Table II: Program Budget for Ongoing Obligations

Beginning of Quarter	Cumulative Ongoing Obligations Cap
1	\$922,250
2	1,842,600
3	2,761,100
4	3,679,600
5	4,250,150
6	4,820,700
7	5,384,800
8	5,948,900
9	6,203,000
10	6,457,100
11	6,711,200
12	6,968,350
13	7,096,950
14	7,225,550
15	7,354,150
16	7,482,750

The maximum amount that may be disbursed for Ongoing Obligations at any time is (x) the Cumulative Ongoing Obligations Cap for the quarter (from Table II) less (y) all amounts previously disbursed for Ongoing Obligations. However, additional funds may be reallocated from the Program Budget for Legal Fees in a given quarter to pay Ongoing Obligations in accordance with the reallocation provisions of this Exhibit A.

Table III: Ongoing Obligations Payment Limits

Beginning of Quarter	DTSC Settlement	Computer Document Management	Technical Activities	Project Management	Legal Disbursements
1	\$ 250,000	\$ 310,596	\$ 386,010	\$ 52,519	\$ 124,800
2	500,000	619,899	712,227	163,654	249,600
3	610,899	839,714	1,357,095	224,052	374,400
4	610,899	1,143,710	2,077,371	269,030	499,200
5	610,899	1,361,125	2,388,443	315,858	665,600
6	610,899	1,601,766	2,678,692	360,283	832,000
7	610,899	1,872,326	2,941,761	393,584	998,400
8	610,899	2,181,475	3,151,981	441,145	1,164,800
9	610,899	2,277,991	3,207,516	453,024	1,331,200
10	610,899	2,380,448	3,256,379	465,634	1,497,600
11	610,899	2,487,003	3,300,640	478,748	1,664,000
12	610,899	2,596,134	3,342,615	495,538	1,830,400
13	610,899	2,650,266	3,378,421	507,780	1,895,400
14	610,899	2,709,352	3,411,493	517,802	1,960,400
15	610,899	2,770,851	3,445,220	524,755	2,025,400
16	610,899	2,832,772	3,478,478	531,757	2,090,400

The amount disbursed for Ongoing Obligations may be used to pay for expenses in any of the sub-categories of Ongoing Obligations. However, each sub-category will have a maximum cumulative expenditure cap per quarter (from Table III), and Program monies may not be expended in excess of these sub-category caps unless (a) the City reallocates the difference from the Program Budget for Legal Fees in accordance with the reallocation provisions of this Exhibit A and; (b) the City, prior to exceeding the maximum cap in any quarter, provides written notice to the Trustee and receives approval from the Original Purchaser and the Certificate Holders of the change in the Ongoing Obligation sub-category maximum cumulative expenditure cap, as provided in Exhibit E. The DTSC Settlement Payments amounts may not be exceeded under any circumstances, however.

Table IV: Program Budget for Legal Fees

Beginning of Quarter	Cumulative Legal Fee Cap
1	\$ 577,750
2	1,157,400
3	1,738,900
4	2,320,400
5	2,874,850
6	3,429,300
7	3,990,200
8	4,551,100
9	5,047,000
10	5,542,900
11	6,038,800
12	6,531,650
13	6,778,050
14	7,024,450
15	7,270,850
16	7,517,250

The maximum amount that may be disbursed at any time to pay Legal Fees is (x) the amount specified in the Program Budget for Legal Fees for that quarter (from Table IV), less (y) all amounts previously disbursed for Legal Fees. However, additional funds may be reallocated from the Program Budget for Ongoing Obligations for a given quarter to pay Legal Fees in accordance with the reallocation provisions of this Exhibit A.

(b) Legal Fee Payment Methodology

Legal professional fees billed for services performed during a quarter will be paid subject to a three-tier methodology. As discussed more fully below, payments under Tier 1 and Tier 2 are made quarterly and are based on a percentage (90% and 30% respectively) of legal billings in a quarter subject to quarterly caps. Payments under Tier 3 are based on billings which exceed the amounts payable under Tier 1 and Tier 2 and are accumulated quarterly but paid only when and to the extent that excess funds are available. Invoices received after a quarter for services performed during that quarter must be compared to the caps in place for the quarter when services were performed. The Tiers are as follows:

- TIER 1** Fees billed for services performed in a quarter ("Quarterly Billings") subject to the Tier 1 Billings Cap (from Table V) for the quarter in which the services were performed, will be paid at 90% of the amounts billed.
- TIER 2** Quarterly Billings in excess of the Tier 1 Billings Cap (from Table V) subject to the Tier 2 Billings Cap (from Table V), for the quarter in which the services were performed will be paid at 30% of the amounts billed in excess of the Tier 1 Billings Cap.

TIER 3 Certain Quarterly Billings which are not paid will qualify for accumulation under Tier 3. Tier 3 accumulated billings, as described below, will be paid only from either (a) amounts reallocated from Ongoing Obligations in accordance with the reallocation provisions of this Exhibit A, (b) amounts not utilized in the Legal Fee budget for payment of Tier 1 and Tier 2 billings in future quarters, or (c) Program Receipts retained by the City as described in Section 6.4(e) of the Sale and Repurchase Agreement. Tier 3 accumulated billings are comprised of the following:

- (a) Quarterly Billings in excess of the Tier 1 Billings Cap (from Table V) subject to the Tier 2 Billings Cap (from Table V), for the quarter in which the services were performed which will be paid at 50% of the amounts billed in excess of the Tier 1 Billings Cap.
- (b) Quarterly Billings in excess of the Tier 2 Billings Cap (from Table V) for the quarter in which the services were performed which will be paid at 80% of the amounts billed in excess of the Tier 2 Billings Cap.
- (c) Quarterly Billings which qualify for payment under Tier 1 or Tier 2 (as described above) but are not paid due to insufficient funds within the Program Account.

Table V: Legal Fee Tiers

<u>Beginning of Quarter</u>	<u>Tier 1 Billings Cap⁽¹⁾</u>	<u>Tier 2 Billings Cap⁽²⁾</u>
1	\$544,444	\$836,944
2	544,445	843,278
3	544,444	849,444
4	544,445	849,445
5	516,666	814,833
6	516,667	814,834
7	516,667	836,333
8	516,666	836,333
9	450,000	753,000
10	450,000	753,000
11	450,000	753,000
12	450,000	742,833
13	227,778	365,778
14	227,778	365,778
15	227,778	365,778
16	227,778	365,778

⁽¹⁾ As explained above, up to 90% of this amount may be paid.

⁽²⁾ As explained above, up to 30% of the difference between the Tier 2 Billings Cap and the Tier 1 Billings Cap may be paid, and up to an additional 50% of that difference may accumulate in Tier 3.

(c) Reallocation Between Legal Fees and Ongoing Obligations

The City may choose to reallocate up to \$1.3 million from Legal Fees to Ongoing Obligations or vice versa in order to exceed the maximum disbursement limits within each of these categories or within the Ongoing Obligations sub-categories. The reallocation can take place during any quarter.

The reallocation of funds to the Legal Fee budget can only be used to pay the unpaid portion of Legal Fees accrued under Tier 3.

(d) Purchase Commitment Reductions

Under certain circumstances discussed in sections 6.4 and 6.5 of the Sale and Repurchase Agreement, the remaining Purchase Commitment of the Original Purchaser can be decreased. In these circumstances, the Disbursement Caps for all future quarters will be reduced by the amount of the Purchase Commitment decrease.

Quarterly Budget Reporting Form

Filing Date: _____, _____
Quarter Number: _____
Quarter Beginning _____, _____
and Ending _____, _____ (the "Reporting Period")

Definitions:

The "Next Period" means the three-month period beginning on the day following the ending date of the Reporting Period.

The "Previous Period" means the three-month period (or part thereof in the case of the first period) ending on the day before the beginning date of the Reporting Period.

Other capitalized terms used below are defined either by the instructions and formulas to which they refer, or in the Program Receipts Sale and Repurchase Agreement dated as of [**Dated Date**] between the City of Lodi, as Seller and Repurchaser, and the Lodi Financing Corporation, as Purchaser (the "Sale and Repurchase Agreement").

Note regarding Line References: Numbers in parentheses refer to line numbers on this Quarterly Budget Reporting Form, except where numbers are followed by "P." A number followed by "P" refers to the line of the same number on the Quarterly Budget Reporting Form for the Previous Period. (e.g. (17P) refers to Line 17 of the Quarterly Budget Reporting Form for the Previous Period.)

Calculation and Verification Agent Instructions: Instructions for the Calculation and Verification Agent's use of this Form are specified by the letter code to the right of each line below. The actions corresponding to the letter codes are as follows:

L	No action on the part of the Calculation and Verification Agent is necessary; City of Lodi is responsible for accuracy of reported numbers.
M	The Calculation and Verification Agent should check correctness of mathematical calculations.
C	The Calculation and Verification Agent should check compliance according to italicized instructions.
V	The Calculation and Verification Agent should refer to appropriate table to check correctness of numbers.
F	If an Ongoing Obligation Payment Limit Increase Approval Form (an "Approval Form") has been submitted and approved, the Calculation and Verification Agent should compare each amount given on this form with its respective approved increase on the most recent Approval Form.

In accordance with Section 6.11 of the Sale and Repurchase Agreement, if this form contains any errors in calculation (Calculation and Verification Agent Instructions M, V, and F), the Calculation and Verification Agent must immediately notify the City of any corrections needed. The Calculation and Verification Agent must immediately notify the City, the Original Purchaser, other Certificate Holders and the Trustee if the City fails to comply with the Program Budget (Calculation and Verification Agent Instruction C).

	<u>Line</u>	<u>Instructions</u>
A. <u>Reporting Period Expenditures</u>		
(1) Amount of Certificates issued during Reporting Period.	(1) _____	L
(2) Amount of Certificates issued during Next Period	(2) _____	L
<i>Lines (3) through (7) and Line (9) – Record the amounts expended for services performed during the Reporting Period for the following budget categories:</i>		
(3) DTSC Settlement Payments	(3) _____	L
(4) Computer Document Management	(4) _____	L
(5) Technical Activities	(5) _____	L
(6) Project Management	(6) _____	L
(7) Legal Disbursements	(7) _____	L
(8) Total Ongoing Obligations = Sum of Lines (3) through (7)	(8) _____	M
(9) Legal Fees	(9) _____	L
(10) Legal Fees expended for services performed before the Reporting Period (For first quarter, use 0)	(10) _____	L
(11) Total Legal Fees = (9) + (10)	(11) _____	M
B. <u>Cumulative Expenditures</u>		
<i>Lines (12) through (16) and Line (18) – Compute the new Cumulative Expenditures by adding Reporting Period Expenditures to Previous Period's Cumulative Expenditures. For the first quarter, copy the Reporting Period Expenditures from Lines (3) through (9):</i>		
(12) DTSC Settlement = (3) + (12P)	(12) _____	M
(13) Computer Document Management = (4) + (13P)	(13) _____	M
(14) Technical Activities = (5) + (14P)	(14) _____	M
(15) Project Management = (6) + (15P)	(15) _____	M
(16) Legal Disbursements = (7) + (16P)	(16) _____	M
(17) Total Ongoing Obligations = Sum of Lines (12) through (16)	(17) _____	M
(18) Legal Fees = (11) + (18P)	(18) _____	M

	<u>Line</u>	<u>Instructions</u>
C. <u>Purchase Commitment Reduction</u>		
(19) Program Receipts deposited into the Program Account during the Reporting Period	(19) _____	L
(20) Record the cash value, as determined by an Independent Consultant, of all non-cash settlements received during the Reporting Period in excess of the limits set forth in §6.6 of the Sale and Repurchase Agreement.	(20) _____	L
(21) Record the amount of any Certificate payment by the City during the Reporting Period as a result of non-cash settlements pursuant to §6.6 (a) (i).	(21) _____	L
(22) [(19) + (20) – (21)] <i>This is the Purchase Commitment Reduction for the Reporting Period.</i>	(22) _____	M
(23) [(23P) – (1) – (22)] (For the first quarter, use \$15,000,000 in place of (23P).) <i>This is the Purchase Commitment for the Next Period</i>	(23) _____	M
(24) [(1) + (24P)] (For the first quarter, use 0 in place of (24P).) <i>Total Certificate purchases through Reporting Period</i>	(24) _____	M
(25) Referring to Table I, copy the Cumulative Disbursement Cap for the Next Period.	(25) _____	M
(26) [(25) – (22) – (24)] <i>This is the maximum Certificate issuance amount for the Next Period. Line (2) must be less than or equal to this amount.</i>	(26) _____	M, C
D. <u>Reallocation from Legal Fees to Ongoing Obligations:</u>		
(27) Referring to Table II, copy the Cumulative Ongoing Obligations Cap for the Reporting Period.	(27) _____	V
(28) [(17) – (27)] <i>If positive, this is the total amount reallocated to Ongoing Obligations. In accordance with Exhibit A of the Sale and Repurchase Agreement, this amount must be less than or equal to \$1,300,000.</i>	(28) _____	M, C
E. <u>Reallocation from Ongoing Obligations to Legal Fees:</u>		
(29) Referring to Table IV, copy the Cumulative Legal Fee Cap for the Reporting Period.	(29) _____	V
(30) [(18) – (29)] <i>If positive, this is the total amount reallocated to Legal Fees. In accordance with Exhibit A of the Sale and Repurchase Agreement, this amount must be less than or equal to \$1,300,000.</i>	(30) _____	M, C

	<u>Line</u>	<u>Instructions</u>
F. <u>Ongoing Obligation Subcategory Limits</u>		
<i>Lines (31) through (35) – Ongoing Obligation Payment Limits – Referring to Table III, copy the Ongoing Obligation Payment Limits for the following subcategories for the Reporting Period:</i>		
(31) DTSC Settlement Payment	(31) _____	V
(32) Computer Document Management	(32) _____	V
(33) Technical Activities	(33) _____	V
(34) Project Management	(34) _____	V
(35) Legal Disbursements	(35) _____	V
(36) Sum Lines (31) through (35).	(36) _____	M
<i>Lines (37) through (40) – Approved Increases in Subcategory Ongoing Obligation Payment Limits – Record any Ongoing Obligation Payment Limit increases that have been approved in writing by the Original Purchaser and Certificate Holders, and that are in effect as of the end of the Reporting Period:</i>		
(37) Computer Document Management	(37) _____	F
(38) Technical Activities	(38) _____	F
(39) Project Management	(39) _____	F
(40) Legal Disbursements	(40) _____	F
<i>Lines (41) through (44) – Revised Ongoing Obligation Payment Limits – Add each Ongoing Obligation Payment Limit increase from Lines (37) through (40) to its respective Ongoing Obligation Payment Limit, recorded in Lines (31) through (35):</i>		
(41) Computer Document Management: [(32) + (37)]	(41) _____	M
(42) Technical Activities: [(33) + (38)]	(42) _____	M
(43) Project Management: [(34) + (39)]	(43) _____	M
(44) Legal Disbursements: [(35) + (40)]	(44) _____	M
<i>Lines (45) through (49) – Payment in excess of Revised Ongoing Obligation Payment Limits:</i>		
(45) DTSC Settlement Payment: Greater of [(12) – (31)] or 0	(45) _____	M
(46) Computer Document Management: Greater of [(13) – (41)] or 0	(46) _____	M
(47) Technical Activities: Greater of [(14) – (42)] or 0	(47) _____	M
(48) Project Management: Greater of [(15) – (43)] or 0	(48) _____	M
(49) Legal Disbursements: Greater of [(16) – (44)] or 0	(49) _____	M
(50) Sum (45) through (49). <i>In accordance with Exhibit A of the Sale and Repurchase Agreement, Line (50) must be zero.</i>	(50) _____	M, C

	<u>Line</u>	<u>Instructions</u>
G. <u>Legal Tier Structure</u>		
(51) Legal Fee Expenditures: (9)	<u>(51)</u>	M
(52) Amount paid for Legal Fees for services performed before the Reporting Period, for which bills were received after submission of the applicable Quarterly Budget Reporting Form. <i>If this amount is positive, please request the City to submit a revised Quarterly Budget Reporting Form for the period in which these legal services were performed and for all subsequent periods.</i>	<u>(52)</u>	C
(53) [(51) – (52)]	<u>(53)</u>	M
(54) Amount billed for Legal Fees for services performed in the Reporting Period.	<u>(54)</u>	L
 <i>Lines (55) and (56) – Referring to Table V, copy the following items for the Reporting Period:</i>		
(55) Tier 1 Billings Cap	<u>(55)</u>	V
(56) Tier 2 Billings Cap	<u>(56)</u>	V
(57) [(56) – (55)]	<u>(57)</u>	M
(58) Lesser of (54) or (55).	<u>(58)</u>	M
(59) [(58) x 90%] <i>This is the Tier 1 expenditure.</i>	<u>(59)</u>	M
(60) Greater of [(54) – (55)] or 0	<u>(60)</u>	M
(61) Lesser of (60) or (57)	<u>(61)</u>	M
(62) [(61) x 30%] <i>This is the Tier 2 expenditure.</i>	<u>(62)</u>	M
 <u>Tier 3 Accrual:</u>		
(63) [(61) x 50%]	<u>(63)</u>	M
(64) Greater of [(54) – (56)] or 0	<u>(64)</u>	M
(65) [(64) x 80%]	<u>(65)</u>	M
(66) [(59) + (62) + (63) + (65) – (53)] <i>This is the change in Tier 3 balance for the Reporting Period.</i>	<u>(66)</u>	M
(67) [(67P) + (66)] (For the first quarter, use 0 in place of (67P).) <i>This is the Tier 3 balance.</i>	<u>(67)</u>	M
 H. <u>Permitted Deductions</u>		
DTSC Reserve		
(68) [(71P)] (For the first quarter, use 0 in place of (71P).)	<u>(68)</u>	M
(69) Additions to DTSC Reserve during Reporting Period	<u>(69)</u>	L
(70) Payments to DTSC during Reporting Period	<u>(70)</u>	L

	<u>Line</u>	<u>Instructions</u>
(71) [(68) + (69) – (70)] <i>DTSC Reserve balance at end of Reporting Period. By the definition of Permitted Deductions in the Sale and Repurchase Agreement, Line (71) must be less than or equal to \$300,000.</i>	<u>(71)</u>	M, C
City Reimbursement		
(72) [(74P)] (For the first quarter, use 0 in place of (74P).)	<u>(72)</u>	M
(73) Amount paid to City during Reporting Period to reimburse for prior expenditures	<u>(73)</u>	L
(74) [(72) + (73)] <i>By the definition of Permitted Deductions in the Sale and Repurchase Agreement, Line (74) must be less than or equal to \$2,000,000.</i>	<u>(74)</u>	M, C

Quarterly Budget Reporting Form – Table I

Cumulative Disbursement Caps

Quarter	Cumulative Disbursement Cap
1	\$ 1,500,000
2	3,000,000
3	4,500,000
4	6,000,000
5	7,125,000
6	8,250,000
7	9,375,000
8	10,500,000
9	11,250,000
10	12,000,000
11	12,750,000
12	13,500,000
13	13,875,000
14	14,250,000
15	14,625,000
16	15,000,000

Quarterly Budget Reporting Form – Table II

Cumulative Ongoing Obligations Caps

Quarter	Cumulative Ongoing Obligations Cap
1	\$ 922,250
2	1,842,600
3	2,761,100
4	3,679,600
5	4,250,150
6	4,820,700
7	5,384,800
8	5,948,900
9	6,203,000
10	6,457,100
11	6,711,200
12	6,968,350
13	7,096,950
14	7,225,550
15	7,354,150
16	7,482,750

Quarterly Budget Reporting Form – Table III

Ongoing Obligation Payment Limits

Quarter	DTSC Settlement	Computer Document Management	Technical Activities	Project Management	Legal Disbursements
1	\$250,000	\$ 310,596	\$ 386,010	\$ 52,519	\$ 124,800
2	500,000	619,899	712,227	163,654	249,600
3	610,899	839,714	1,357,095	224,052	374,400
4	610,899	1,143,710	2,077,371	269,030	499,200
5	610,899	1,361,125	2,388,443	315,858	665,600
6	610,899	1,601,766	2,678,692	360,283	832,000
7	610,899	1,872,326	2,941,761	393,584	998,400
8	610,899	2,181,475	3,151,981	441,145	1,164,800
9	610,899	2,277,991	3,207,516	453,024	1,331,200
10	610,899	2,380,448	3,256,379	465,634	1,497,600
11	610,899	2,487,003	3,300,640	478,748	1,664,000
12	610,899	2,596,134	3,342,615	495,538	1,830,400
13	610,899	2,650,266	3,378,421	507,780	1,895,400
14	610,899	2,709,352	3,411,493	517,802	1,960,400
15	610,899	2,770,851	3,445,220	524,755	2,025,400
16	610,899	2,832,772	3,478,478	531,757	2,090,400

Quarterly Budget Reporting Form – Table IV

Cumulative Legal Fee Caps

Quarter	Cumulative Legal Fee Cap
1	\$ 577,750
2	1,157,400
3	1,738,900
4	2,320,400
5	2,874,850
6	3,429,300
7	3,990,200
8	4,551,100
9	5,047,000
10	5,542,900
11	6,038,800
12	6,531,650
13	6,778,050
14	7,024,450
15	7,270,850
16	7,517,250

Quarterly Budget Reporting Form – Table V

Legal Fee Tiers

Quarter	Tier 1 Billings Cap	Tier 2 Billings Cap
1	\$544,444	\$836,944
2	544,445	843,278
3	544,444	849,444
4	544,445	849,445
5	516,666	814,833
6	516,667	814,834
7	516,667	836,333
8	516,666	836,333
9	450,000	753,000
10	450,000	753,000
11	450,000	753,000
12	450,000	742,833
13	227,778	365,778
14	227,778	365,778
15	227,778	365,778
16	227,778	365,778

EXHIBIT B

[FORM OF ISSUANCE REQUEST]

REQUEST AND CERTIFICATE OF THE CITY

Lodi Financing Corporation
Not to Exceed \$16,000,000
Aggregate Principal Amount of
City of Lodi, California
Variable Rate Certificates of Participation
(Environmental Abatement Program)

To: U.S. Bank Trust National Association
Corporate Trust Services
One California Street, 4th Floor
San Francisco, CA 94111

Attention: Sue Vargas, Vice President
Relationship Specialist

The City of Lodi, California (the "City") hereby requests and directs the Trustee, on behalf of the Lodi Financing Corporation (the "Corporation"), to execute and deliver \$_____ of the Corporation's Variable Rate Certificates of Participation ("Certificates") (Environmental Abatement Program), Series _____ to **[Purchaser]** on _____ **[Delivery Date]**.

We, the City Attorney and Finance Director **[City Manager]**, respectively, of the City, hereby certify as follows:

1. The representations and warranties of the City contained in (a) the Certificate Purchase Contract, dated _____, 1999 (the "Certificate Purchase Contract"), among the City, the Corporation and Environmental Restoration Company Ltd. with respect to the sale, execution, and delivery of not to exceed \$16,000,000 aggregate principal amount of the Certificates and (b) the Program Receipts Sale and Repurchase Agreement, dated _____, 1999 (the "Sale and Repurchase Agreement") between the City and the Corporation are true and correct in all material respects on and as of the date hereof as if made on this date.

2. There is no action, suit, proceeding, inquiry, or investigation, at law or in equity before or by any court, government agency, public board, or body, pending or, to the best of my knowledge, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain, or enjoin the sale, execution, or delivery of the Certificates or the collection of the Program Receipts (as defined in the Sale and Repurchase Agreement) to be used to pay the principal and interest components of the Certificates, or the pledge of funds and accounts pursuant to the Trust Agreement (as defined in the Sale and Repurchase Agreement), or contesting the powers of the Trustee thereunder with respect to the execution of the Certificates; nor, to the best of our knowledge, is there any basis for any such action, suit, proceeding, inquiry, or investigation, wherein an unfavorable decision,

ruling, or finding would materially adversely affect the authorization, execution, delivery, or performance by the City of the obligations on its part contained in the Program Documents, as defined in the Certificate Purchase Contract.

3. After investigation and review of the Program Documents, no event of default, nor any event which, after the passage of time or the giving of notice would constitute an event of default under a Program Document has occurred and is continuing.

4. The City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the date hereof pursuant to the Program Documents, including compliance with the Program Budget and including any reallocation of amounts therein.

5. The City represents that it will use the proceeds of this issuance in conformance with the Program Budget set forth in Exhibit A to the Sale and Repurchase Agreement. The principal amount of Certificates to be executed and delivered hereunder does not exceed the Cumulative Disbursement Cap for the calendar quarter immediately following the Delivery Date, as set forth in the Program Budget, less the principal amount of any Certificates previously executed and delivered.

6. Between the date of the Certificate Purchase Contract and the date hereof, the City has not, without the prior written consent of the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, offered or issued any bonds, notes, or other obligations for borrowed money, or incurred any material liabilities, direct or contingent, payable from Program Receipts.

7. All capitalized terms used herein that are not otherwise defined shall have the same meanings as in the Certificate Purchase Contract and the Sale and Repurchase Agreement.

8. The City hereby requests and directs the Trustee, after the Trustee's review of this Request and Certificate, to deliver a copy of this Request and Certificate to the Purchaser under the Certificate Purchase Contract at least 10 Business Days prior to the Delivery Date.

[Delivery Date]

CITY OF LODI

By: _____
[Name]
[City Attorney]

By: _____
[Name]
[City Manager or Finance Director]

EXHIBIT C

[FORM OF REMITTANCE REPORT]

NOTICE OF REMITTANCE OF PROGRAM RECEIPTS

U.S. Bank Trust National Association
Corporate Trust Services
One California Street, 4th Floor
San Francisco, CA 94111

Attention: Sue Vargas, *Vice President*
Relationship Specialist

Pursuant to Sections 6.4 and 6.11 of the Program Receipts Sale and Repurchase Agreement dated _____ (the "Sale and Repurchase Agreement") between the City of Lodi, California (the "City") and the Lodi Financing Corporation (the "Corporation"), the City hereby notifies, certifies and warrants to you, as Trustee, that it has received Program Receipts (in the amounts and from the sources described below) and is remitting such moneys (net of deductions described below) to you in compliance with said Sections 6.4 and 6.11:

Total amount of Program Receipts received: \$ _____

Date received: _____ ("Receipt Date")

Source(s) of Program Receipts (including caption of action and moneys received from insurers or other payors; riders attached as necessary):

Caption: _____

Payor: _____

- | | | |
|-----|--|-----------|
| (1) | Total amount of Program Receipts received: | (1) _____ |
| (2) | Amount of Program Receipts available for Permitted Deductions: (1) x 25% | (2) _____ |
| (3) | DTSC Reserve balance as of Receipt Date: | (3) _____ |
| (4) | Amount of Program Receipts applied to DTSC Reserve: Lesser of (2) or [\$300,000 – (3)] | (4) _____ |
| (5) | Amount of Program Receipts available for City reimbursement: (2) – (4) | (5) _____ |
| (6) | Total City reimbursement as of Receipt Date: | (6) _____ |

- (7) Amount of Program Receipts applied to City reimbursement:
Lesser of (5) or [\$2,000,000 – (6)] (7) _____
- (8) Total amount of Program Receipts applied to Permitted
Deductions: (4) + (7) (8) _____
- (9) Amount of Program Receipts remaining after Permitted
Deductions: (1) – (8) (9) _____
- (10) Deferred Commitment Fee Reserve Account Balance as of
the Receipt Date (Obtain from Calculation and Verification
Agent) (10) _____
- (11) Amount required to pay Accreted Value and Current Interest
on Certificates as of the Receipt Date: (11) _____
- (12) Amount required to pay Current Interest and Compounded
Interest on Certificates as of the Receipt Date: (12) _____
- (13) Payment of Current Interest and Compounded Interest from
funds in Deferred Commitment Fee Reserve Account:
Lesser of (10) or (11) (13) _____
- (14) Amount required to pay Accreted Value and Current Interest
after payment from funds in Deferred commitment Fee
Reserve Account: (11) – (13) (14) _____
- (15) Amount of Program Receipts remitted to Trustee from
Recovery Account to pay Accreted Value and Current
Interest on Certificates: Lesser of (9) or (14) (15) _____
- (16) Amount required to fund Deferred Commitment Fee Reserve
Account after payment of Current and Compounded Interest
under (15): (16) _____
- (17) Amount of Program Receipts remitted to Trustee from
Recovery Account to fund Deferred Commitment Fee
Reserve Account: Lesser of [(9) – (15)] or (16) (17) _____
- (18) Total Amount of Program Receipts remitted to Trustee from
Recovery Account: (15) + (17) (18) _____
- (19) Amount of Program Receipts permitted to be transferred
from the Recovery Account to the Program Account:
(9) - (18) (19) _____

The undersigned hereby certifies that this remittance is in compliance with Sections 6.4 and 6.11 of the Sale and Repurchase Agreement. The Trustee is hereby directed to return to the undersigned any amounts which the Calculation and Verification Agent determines to be in excess

of the amounts required to be transmitted to the Trustee under Section 6.4(a) of the Sale and Repurchase Agreement.

All capitalized terms used herein that are not otherwise defined shall have the same meanings as in the Sale and Repurchase Agreement.

CITY OF LODI

By: _____
[Name]
[Title]

cc: Calculation and Verification Agent
Original Purchaser

EXHIBIT D

[FORM OF NOTICE OF REALLOCATION]

**REALLOCATION NOTICE
REGARDING AMOUNTS IN PROGRAM ACCOUNT**

U.S. Bank Trust National Association
Corporate Trust Services
One California Street, 4th Floor
San Francisco, CA 94111

Attention: Sue Vargas, *Vice President*
Relationship Specialist

Dear _____:

Pursuant to Section 6.12 of the Program Receipts Sale and Repurchase Agreement dated _____ (the "Sale and Repurchase Agreement") between the City of Lodi, California (the "City") and the Lodi Financing Corporation (the "Corporation"), the City hereby notifies you of the following reallocation of moneys in the Program Account.

Reallocation as of _____

Total amount reallocated by budget category (Legal Fees or Ongoing Obligations) in current quarter:

\$ _____ reallocated from _____ to _____
(budget category)

If moneys reallocated from Ongoing Obligations to Legal Fees, total percentage of accrued billings after closing in comparison to total billings after closing:

Accrued billings to date: \$ _____

Total billings to date: \$ _____

_____ %

If moneys reallocated from Legal Fees to Ongoing Obligations, total percentage of cumulative expenditures in comparison with the Ongoing Obligation Payment Limit for the applicable quarter (from Table III of the Quarterly Budget Reporting Form) for the subcategory to which moneys would be reallocated (i.e., Computer Document Management, Technical Activities, Project Management, or Legal Disbursements):

Ongoing obligation category: _____

Subcategory expenditures to date: \$ _____

Ongoing Obligation Payment Limit for subcategory: \$ _____

_____ %

A written explanation of the reason for this reallocation is attached to this Reallocation Notice.

The undersigned hereby certifies that this notice of reallocation is in conformance with Section 6.11 and Exhibit A (the Program Budget) of the Sale and Repurchase Agreement, and that any moneys so reallocated will be used exclusively for purposes permitted under the Sale and Repurchase Agreement and Program Budget.

You are hereby instructed to deliver a copy of this Reallocation Notice to the Original Purchaser, all other Certificate Holders, and the Calculation and Verification Agent within 5 Business Days after your receipt hereof.

Capitalized terms used herein not otherwise defined shall have the meaning set forth in the Sale and Repurchase Agreement.

CITY OF LODI

By: _____
[Name]
[Title]

EXHIBIT E

ONGOING OBLIGATION PAYMENT LIMIT INCREASE APPROVAL FORM

Filing Date: _____, _____

Limit Increase to Take Effect the Quarter Beginning _____, _____

U.S. Bank Trust National Association
Corporate Trust Services
One California Street, 4th Floor
San Francisco, CA 94111

Attention: Sue Vargas, *Vice President*
Relationship Specialist

Pursuant to Section 6.12 of the Program Receipts Sale and Repurchase Agreement dated _____ (the "Sale and Repurchase Agreement") between the City of Lodi, California (the "City") and the Lodi Financing Corporation, the City hereby requests the following increase(s) to the Ongoing Obligation Payment Limits set forth in Exhibit A of the Sale and Repurchase Agreement, and instructs you, as Trustee, to forward a copy of this Ongoing Obligation Payment Limit Increase Approval Form (the "Approval Form") to the Original Purchaser (as defined in the Sale and Repurchase Agreement) and all other Certificate Holders within 5 Business Days after your receipt hereof and to ascertain within 5 Business Days after the receipt of such transmittal whether the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, approves or denies this request. Upon such determination, you are instructed to inform the City, the Calculation and Verification Agent, the Original Purchaser and the other Certificate Holders of the response.

Subcategory	Cumulative Maximum for Quarter	Expected Expenditure	Amount Exceeding Maximum
Computer Document Management			
Technical Activities			
Project Management			
Legal Disbursements			

Explanation

CITY OF LODI

By: _____
[Name]
[Title]

TRUSTEE'S REPORT TO THE CITY

We have forwarded a copy of the Approval Form to the Original Purchaser and Certificate Holders on _____, and the Original Purchaser and Certificate Holders have responded to this request as follows:

_____ The Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, approves the Ongoing Obligation Payment Limit increase(s) requested on the Approval Form.

_____ The Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, approves the Ongoing Obligation Payment Limit increase(s) requested on the Approval Form, with the following exceptions:

_____ The Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, does not approve any Ongoing Obligation Payment Limit increase(s) requested on the Approval Form.

_____ The Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, has not responded within 5 Business Days after receipt of our transmittal of the Approval From to them and, in accordance with Section 6.11 of the Sale and Repurchase Agreement, are deemed to have denied the requested increase(s).

U.S. BANK TRUST NATIONAL ASSOCIATION

By: _____

[Name]

Trustee

Date: _____

cc: Calculation and Verification Agent
Original Purchaser and other Certificate Holders

EXHIBIT F

[FORM OF TERMINATION NOTICE]

Lodi Financing Corporation
Not to Exceed \$16,000,000
Aggregate Principal Amount of
City of Lodi, California
Variable Rate Certificates of Participation
(Environmental Abatement Program)

U.S. Bank Trust National Association
Corporate Trust Services
One California Street, 4th Floor
San Francisco, CA 94111

Attention: Sue Vargas, *Vice President*
Relationship Specialist

1. Pursuant to the Certificate Purchase Contract dated _____ (the "Certificate Purchase Contract"), among the City of Lodi, California (the "City"), the Lodi Financing Corporation (the "Corporation") and Environmental Restoration Company Ltd., the City hereby certifies, represents and warrants that it will make no additional Issuance Requests to the Trustee and is hereby irrevocably and permanently discontinuing all Issuance Requests.

Last Issuance Request made on: _____

Last Issuance Request amount: _____

Date of Delivery of Certificates under last Issuance Request:

2. The undersigned hereby certifies that this Notice is in compliance with the Certificate Purchase Agreement and the Program Receipts Sale and Repurchase Agreement, dated _____, between the City and the Corporation (the "Sale and Repurchase Agreement").

3. All capitalized terms used herein that are not otherwise defined shall have the same meanings as in the Certificate Purchase Contract and the Sale and Repurchase Agreement.

4. The City has delivered a copy of this Termination Notice to the Purchaser under the Certificate Purchase Contract and to the Calculation and Verification Agent.

CITY OF LODI

By: _____
[Name]
[Title]

cc: Original Purchaser
Calculation and Verification Agent

LODI FINANCING CORPORATION

AND

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee

TRUST AGREEMENT

Dated as of **[Dated Date]**

Lodi Financing Corporation
Not to Exceed \$16,000,000
Aggregate Principal Amount of
Variable Rate Certificates of Participation
(Environmental Abatement Program)

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TRUST AGREEMENT

THIS TRUST AGREEMENT, dated as of **[Dated Date]**, (the "Trust Agreement") is hereby entered into by and among the LODI FINANCING CORPORATION, a nonprofit corporation organized and existing under the laws of the State of California (the "Corporation"), and U.S. Bank Trust National Association, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, there exists in the City of Lodi, California (the "City") a significant water contamination problem threatening the City's water supply and the health and safety of the City's inhabitants;

WHEREAS, in May 1997, the City executed a Comprehensive Joint Cooperative Agreement (Including Related Delegation and Settlement Agreements) with the California Department of Toxic Substances Control ("DTSC") Relating to the Investigation and Abatement of the Hazardous Substance Contamination In and Affecting the City (the "Cooperative Agreement");

WHEREAS, under the Cooperative Agreement, the City is committed to act as lead agency in initiating and prosecuting environmental enforcement actions (the "Program") to compel responsible parties to investigate and clean up all actual or potential dangers to public health and the environment arising from or related to hazardous substance contamination of portions of the City's groundwater and soil located within an area of approximately 600 acres and encompassing the City's central business area (the "Lodi Area of Contamination") as described in the Cooperative Agreement;

WHEREAS, the Cooperative Agreement fully resolved the City's liability, if any, for the contamination arising, in whole or in part, from the design, construction, operation or maintenance of the City's sewer systems;

WHEREAS, it is in the public interest and welfare of the City's inhabitants that the City find a means of financing the costs of the Program in order to fulfill the City's obligations under the Cooperative Agreement, and to enforce laws and ordinances which compel responsible parties to assume the cost and responsibility for the necessary remediation work to clean up the City's water supply and preserve and enhance the City's water system;

WHEREAS, the costs of environmental litigation under the Program may be significant;

WHEREAS, the City has determined, after extensive investigation and consultation with the City's financial advisor, that the most feasible means of financing Program costs is through the implementation of a certificate of participation financing; which financing will facilitate the effective and expeditious abatement of an existing or threatened Environmental Nuisance (as defined in the City's Comprehensive Municipal Environmental Response and Liability Ordinance, described below) within or affecting the City.

WHEREAS, pursuant to Sections 37350 and 7158 of the California Government Code, Section 17 of the California Code of Civil Procedure, and Sections 953 and 954 of the California Civil Code, the City may sell all or a portion of its right to receive recoveries arising from the Program;

WHEREAS, pursuant to Sections 37350 and 7158 of the California Government Code, Section 17 of the California Code of Civil Procedure, and Sections 953 and 954 of the California Civil Code, the City may purchase all or a portion of its right to receive recoveries arising from the Program;

WHEREAS, to implement this certificate of participation financing, the City proposes to irrevocably sell and convey to the Corporation its right to receive Program Receipts, as defined in, and pursuant to, a Program Receipts Sale and Repurchase Agreement, dated _____, 1999 (the "Sale and Repurchase Agreement"), between the City and the Corporation, and simultaneously therewith the Corporation desires to resell and reconvey such Program Receipts back to the City in consideration of receipt of the Repurchase Payments (as defined in the Sale and Repurchase Agreement), all pursuant to the Sale and Repurchase Agreement;

WHEREAS, for the purpose of financing the Program, and to secure their obligations hereunder, the City and the Corporation have agreed to assign and transfer certain of their rights under the Sale and Repurchase Agreement to the Trustee;

WHEREAS, in consideration of the execution of this Trust Agreement the Trustee has agreed to execute and deliver, from time to time on a quarterly basis if requested, a principal amount not to exceed \$16,000,000 of certificates of participation (the "Certificates"), each Certificate evidencing an undivided, proportionate interest in Repurchase Payments, consisting of a principal component and an interest component (the "Repurchase Payments") to be made by the City under the Sale and Repurchase Agreement;

WHEREAS, the purchase price to be paid by the Corporation for each portion of Program Receipts purchased from the City pursuant to the Sale and Repurchase Agreement will be payable solely from proceeds from the sale of the Certificates;

WHEREAS, the City's obligation to make Repurchase Payments (and certain other payments under the Sale and Repurchase Agreement) will be a special obligation of the City payable solely from Program Receipts, as defined in the Sale and Repurchase Agreement;

WHEREAS, the City has adopted its Comprehensive Municipal Environmental Response and Liability Ordinance, as amended, pursuant to which the City, among other things, has created in favor of Certificate Holders a first lien on the Program Receipts, and the City acknowledges that such first lien is superior to all other uses of Program Receipts, except with regard to certain Permitted Deductions as provided in the Sale and Repurchase Agreement;

WHEREAS, the Program Receipts may be pledged to and deposited in the Municipal Fund (as defined in the Sale and Repurchase Agreement) created under the Ordinance as proceeds of the City's environmental abatement program;

WHEREAS, being payable solely from Program Receipts, the receipt by Certificate Holders of any amounts hereunder and under the Sale and Repurchase Agreement is unpredictable and uncertain, and accordingly there is significant risk inherent in purchasing and holding the Certificates;

WHEREAS, in view of the risks and uncertainties associated with the Certificates, the City has acknowledged that the interest cost of the Certificates is significantly higher than in traditional municipal finance transactions;

WHEREAS, pursuant to Section 5900 et seq. of the California Government Code, the City, through the Corporation, is authorized to issue Certificates the interest component of which is subject to federal income taxation, and the City has determined that the interest component of the Repurchase Payments made under the Sale and Repurchase Agreement and represented by the Certificates will be subject to federal income taxation;

WHEREAS, pursuant to Section 5906 of the California Government Code, the Certificates and the purchasers thereof will be exempt from the usury provisions of Section 1 of Article XV of the California Constitution;

WHEREAS, the City and the Corporation propose to execute and deliver a Certificate Purchase Contract (the "Certificate Purchase Contract") with Environmental Restoration Company Ltd. (the "Original Purchaser"), pursuant to which the Original Purchaser agrees to purchase, from time to time, the Certificates in an aggregate principal amount not to exceed \$16,000,000;

WHEREAS, Lehman Brothers Inc. has acted as Placement Agent for the Certificates;

WHEREAS, the City has retained Public Financial Management as its financial advisor to evaluate the efficacy and cost effectiveness of entering into this financing and issuing the Certificates on the terms specified herein and in the Sale and Repurchase Agreement;

WHEREAS, the DTSC has provided in writing that the execution of the Sale and Repurchase Agreement, this Trust Agreement and the Certificate Purchase Contract and the execution and delivery of the Certificates do not violate or conflict with the Cooperative Agreement, as defined in the Sale and Repurchase Agreement;

WHEREAS, the Corporation has determined that all acts and proceedings required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Trust Agreement and the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Corporation and the Trustee are now duly authorized and empowered to execute and enter into this Trust Agreement and to consummate such transactions for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby formally covenant, agree, and bind themselves as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context clearly otherwise requires, all capitalized terms used herein shall have the meanings assigned to such terms in the Sale and Repurchase Agreement, as originally executed or as it may from time to time be supplemented, modified, or amended.

SECTION 1.02. Interpretation. Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof, and shall not affect the meaning, construction or effect hereof.

SECTION 1.03. Content of Certificates and Opinions. Every certificate or opinion provided for in this Trust Agreement with respect to compliance with any provision hereof shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion on the subject matter referred to in the instrument to which his signature is affixed; and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the Corporation or the City may be based, insofar as it relates to a legal, accounting, or environmental matter, upon a certificate or opinion of or representation by counsel, an Independent Accountant or an Independent Consultant selected by the City, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion, or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by such counsel, Independent Accountant or Independent Consultant may be based, insofar as it regards factual matters (with respect to which information is in the possession of the Corporation or the City, as the case may be) upon a certificate or opinion of or representation by an officer of the Corporation or the City, unless such counsel, Independent Accountant, or Independent Consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or said opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Corporation or the City, or the same counsel, Independent Accountant or Independent Consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Trust Agreement, but different officers, counsel, Independent Accountants, or Independent Consultants may certify to different matters.

ARTICLE II

THE CERTIFICATES

SECTION 2.01. Execution and Delivery of Certificates. The Trustee is authorized and directed to execute and deliver the Certificates in Series at the times and in the principal amounts specified in Issuance Requests, in substantially the form attached hereto as Exhibit B, to be delivered by the City from time to time until the Commitment Period Ending Date, but no more often than quarterly, on each January 1, April 1, July 1 and October 1; provided, however, that the aggregate principal amount of the Certificates to be prepared, executed, and delivered hereunder shall not exceed Fifteen Million Seven Hundred Fifty Thousand Dollars (\$16,000,000), and the principal amount of Certificates to be executed and delivered under any Issuance Request shall not exceed the Cumulative Disbursement Cap for the calendar quarter immediately following the Delivery Date, as set forth in the Program Budget, less the principal amount of Certificates previously executed and delivered. The Certificates shall evidence undivided, proportionate ownership interests in the Repurchase Payments to be paid by the City under and pursuant to the Sale and Repurchase Agreement.

Pursuant to recommendations promulgated by the Committee on Uniform Security Identification Procedures, "CUSIP" numbers may be printed on the Certificates. The City shall notify the Trustee if it determines to obtain CUSIP numbers for the Certificates. The Certificates may bear such endorsement or legend relating thereto as may be satisfactory to the Trustee and as may be required to conform to usage or law with respect thereto.

SECTION 2.02. Denominations; Accreted Value and Interest Components. The Certificates shall be designated "Lodi Financing Corporation Variable Rate Certificates of Participation (Environmental Abatement Program)," with the Certificates of each Series being further designated by the year of their initial execution and delivery and by a letter indicating the number of Series executed and delivered in such year. The Certificates of each Series shall be numbered in such manner as shall be determined by the Trustee. The Certificates shall be delivered in the form of fully registered Certificates, without coupons, in minimum denominations of \$250,000 or any increment of \$1,000 in excess thereof, and shall be payable in lawful money of the United States of America. The Certificates of each Series shall be dated as of their Delivery Date and shall be initially registered in the name of the purchaser thereof, such purchaser to be specified in the applicable Issuance Request. Certificates of any Series shall be on a parity with Certificates of all other Series issued hereunder with respect to the right to receive a proportionate interest in Repurchase Payments made by the City under the Sale and Repurchase Agreement.

Accreted Value due with respect to the Certificates on the Final Payment Date or upon prior payment shall represent the sum of the Accreted Value components of the Repurchase Payments. The Current Interest component of the Certificates shall represent the sum of the Current Interest components of the Repurchase Payments. The Certificates of each Series shall represent the right to receive Current Interest from the later of (i) the Delivery Date for such Series or (ii) the date to which Current Interest has previously been paid or made available for payment with respect to the Outstanding Certificates of such Series. On December 31 of each

year, all Current Interest will become Compounded Interest and will be added to Accreted Value in accordance with Section 2.04 hereof.

SECTION 2.03. Payment of Accreted Value and Current Interest Components of Certificates. Payment of the Accreted Value and Current Interest components with respect to any Certificate shall be made to the Person whose name appears on the registration books of the Trustee as the Holder thereof as of the close of business on the Record Date for each Distribution Date, such amount to be paid by check mailed by first class mail on the Distribution Date to such Holder at its address as it appears on such registration books, or, upon the written request of any Holder of at least \$1,000,000 in aggregate principal amount of Certificates, submitted to the Trustee at least one Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States designated by such Holder. If CUSIP numbers shall have been obtained for the Certificates, then CUSIP number identification shall accompany all payments of interest, principal, and premiums, whether by check or by wire transfer.

Partial payments of Accreted Value and Current Interest due with respect to the Certificates shall be applied pro rata, in accordance with Section 4.03, based upon the ratio of the Accreted Value of each Series of Certificates to the aggregate Accreted Value of all Outstanding Series of Certificates, and then the ratio of the Accreted Value of each Certificate within a Series to the total aggregate Accreted Value of all Outstanding Certificates of such Series.

SECTION 2.04. Determination of Interest Rate; Calculation of Current Interest. Current Interest on the Accreted Value components of the Repurchase Payments (which is the interest evidenced and represented by the Certificates) shall accrue at the Variable Rate. The Variable Rate shall be determined by the Calculation and Verification Agent as of each Rate Adjustment Date and shall be a per annum interest rate equal to the 3-month LIBOR Rate as of the applicable Rate Adjustment Date, plus 20 percentage points, but in no event shall the Variable Rate exceed 30 percent per annum. Each Variable Rate shall be in effect for the applicable Interest Period, which shall be a calendar quarter. Current Interest shall be calculated on the basis of a 360-day year and the number of days elapsed. The sum of all unpaid Current Interest for all Interest Periods or portions thereof during any calendar year shall be added to Accreted Value of the Certificates as of each December 31, after which date such Accreted Value will bear interest at the Variable Rate.

If as a result of one or more final judgments of a court, including courts of appeal and the California and United States supreme courts, the City concludes and informs the Original Purchaser and the Trustee in writing that it will no longer engage in activities in pursuit of Program Receipts, then the Original Purchaser will enter into a written agreement (the "Cessation Agreement") thereby causing interest to cease to accrue on the Certificates thirty-six months after the date of such Cessation Agreement. The Cessation Agreement shall be null and void if the City for any reason continues to engage in activities in pursuit of Program Receipts subsequent to the date of the Cessation Agreement.

SECTION 2.05. Form of Certificates. The Certificates and the form of assignment to appear thereon may be printed, lithographed, or typewritten and shall be in substantially the form

appearing in Exhibit A hereto, with such necessary or appropriate variations, omissions, and insertions as permitted or required hereby.

SECTION 2.06. Execution of Certificates. The Certificates shall be executed by and in the name of the Trustee, as trustee hereunder, by the manual signature of an authorized signatory of the Trustee.

SECTION 2.07. Transfer of Certificates; Limited Transferability. Any Certificate may be transferred only upon the books required to be kept pursuant to the provisions of Section 2.10, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee.

Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates of the same Series, in an authorized denomination or denominations, for a like aggregate principal amount. The Trustee shall also require the payment by any Certificate Holder requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but there shall otherwise be no charge to the Certificate Holder for each such transfer. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the City.

The Trustee shall not be required to transfer any Certificate after such Certificate has been selected for payment.

Notwithstanding the above provisions of this Section 2.07, no resale or transfer of a Certificate shall be made unless the registration requirements of the Securities Act of 1933 (the "Securities Act") and any applicable state securities laws are complied with, or such registration of transfer is exempt from the registration requirements under the Securities Act and such state securities laws. In the event that a transfer is to be made in reliance upon an exemption from the Securities Act and such state securities laws in connection with such registration of such transfer, such resale, pledge or transfer may only be made in minimum denominations of \$500,000 or any increment of \$1,000 in excess thereof and may be made only to a person whom the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act that purchases for its own account or for the account of a qualified institutional buyer who is aware that the resale or other transfer is being made in reliance on Rule 144A. The transferor will, and each subsequent transferor is required to, notify any purchaser from it of the resale restrictions set forth above. The Holder of a Certificate desiring to effect such registration of transfer shall, and does hereby agree to, indemnify the Trustee, the Corporation and the City and their respective officers, directors, agents and employees against any liability that may result if the transfer is not so exempt from, or is not made in accordance with, the Securities Act and such state laws. The preceding sentence shall survive the termination of this Trust Agreement and the earlier removal or resignation of the Trustee. None of the Corporation, the Trustee or the City is under any obligation to register the Certificates under the Securities Act or any state securities laws.

SECTION 2.08. Cooperation with Transfers. Subject to the conditions and requirements of Section 2.07, the Corporation covenants that it will cooperate, and will request the City to cooperate, with any Certificate Holder in connection with any such transfer. As provided in the Certificate Purchase Contract, the Deferred Commitment Fee shall be payable to the Original Purchaser regardless of any transfer of all or a portion of the Certificates.

SECTION 2.09. Exchange of Certificates. Certificates may be exchanged at the Corporate Trust Office for a like aggregate principal amount of Certificates of other authorized denominations of the same Series. The Trustee shall also require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange, but there shall otherwise be no charge to the Certificate Holder for each such exchange. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the City.

The Trustee shall not be required to exchange any Certificate after such Certificate has been selected for payment.

SECTION 2.10. Registration Books. The Trustee will keep or cause to be kept, at its Corporate Trust Office, sufficient books for the registration and transfer of the Certificates, which shall at all times during business hours be open to inspection by the Corporation, the City, the Original Purchaser and other Certificate Holders and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Certificates as hereinbefore provided.

The Person in whose name any Certificate shall be registered shall be deemed the Holder thereof for all purposes hereof, and payment of or on account of the Accreted Value or Current Interest represented by such Certificate shall be made only to or upon the order in writing of such registered Holder, which payments shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid.

SECTION 2.11. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Holder of said Certificate, shall execute and deliver a new Certificate of like tenor and Series and numbered as the Trustee shall determine in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be cancelled by it and destroyed. If any Certificate shall be lost, destroyed, or stolen, evidence of such loss, destruction, or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and the City and indemnity satisfactory to the Trustee and the City shall be given, the Trustee, at the expense of the Certificate Holder, shall execute and deliver a new Certificate of like tenor and Series, and numbered as the Trustee shall determine, in lieu of and in substitution for the Certificate so lost, destroyed, or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate delivered under this Section and of the expenses which may be incurred by the Trustee under this Section. Any Certificate executed and delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed, or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any

replacement Certificate as being Outstanding for the purpose of determining the Accreted Value of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Accreted Value of Certificates Outstanding hereunder, and both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed, or stolen and the Final Payment Date of which has passed or is about to pass, the Trustee may make payment of such Certificate upon receipt of indemnity as provided herein.

ARTICLE III

DELIVERY OF CERTIFICATES; APPLICATION OF PROCEEDS

SECTION 3.01. Execution and Delivery of Certificates. The Trustee is authorized and directed to execute and deliver the Certificates in Series from time to time, but no more often than quarterly on each January 1, April 1, July 1 and October 1 until the Commitment Period Ending Date, upon the Trustee's receipt of: (i) an Issuance Request, directing the execution and delivery of such Series of Certificates, in the minimum amount of \$250,000, which Issuance Request shall be substantially in the form of Exhibit B hereto and shall include, as shown in Exhibit B hereto, a certification by the City, dated as of the applicable Delivery Date, that the representations and warranties of the City set forth in the Certificate Purchase Contract and in the Sale and Repurchase Agreement are true and correct as of such Delivery Date as if made on such Delivery Date; and (ii) the purchase price for such Series of Certificates (which purchase price shall be the par amount of such Certificates) in immediately available funds. The Trustee shall execute and deliver each Series of Certificates on the Delivery Date, in the aggregate principal amount, and to the purchaser specified in the applicable Issuance Request. Each Issuance Request shall be delivered by the City to the Trustee at least 15 Business Days prior to the applicable Delivery Date, and a copy of such Issuance Request shall be delivered by the Trustee to the Original Purchaser at least 10 Business Days prior to the applicable Delivery Date. Upon the execution and delivery of each Series of Certificates, the Trustee shall, in the accounting records kept pursuant to Section 6.03 hereof, record the principal amount of the Certificates executed and delivered and, after consultation with the Calculation and Verification Agent, indicate a corresponding reduction in the Purchase Commitment as calculated by the Calculation and Verification Agent. Upon receipt of a Termination Notice substantially in the form of Exhibit C hereto, the Trustee shall cease execution and delivery of any additional Certificates.

SECTION 3.02. Application of Proceeds of the Certificates. The proceeds received from the sale of each Series of Certificates shall be transferred by the Trustee, on the Delivery Date for such Series of Certificates, to the City, in the manner directed by the City, for deposit in the Program Account established under the City's Municipal Fund. Such proceeds shall represent the consideration provided by the Corporation in exchange for the sale and conveyance by the City of Purchased Program Receipts for such Series of Certificates in accordance with the Sale and Repurchase Agreement. Amounts in the Program Account shall be expended and accounted for in accordance with the terms of the Sale and Repurchase Agreement.

SECTION 3.03. Validity of Certificates. The validity of the authorization, execution, and delivery of the Certificates is not dependent on and shall not be affected in any way by any proceedings taken by the Corporation or the City with respect to or in connection with the Sale and Repurchase Agreement. The recital contained in the Certificates that all acts, conditions, and things required by the Constitution and statutes of the State of California to exist, to have happened, and to have been performed precedent to and in the delivery thereof shall be conclusive evidence of their validity and of compliance with the provisions of law in their execution and delivery.

ARTICLE IV

PAYMENT OF CERTIFICATES

SECTION 4.01. Mandatory Payment of Accreted Value and Current Interest with Respect to Certificates. The Accreted Value component of the Certificates, in whole or in part (rounded to the nearest \$1,000 denomination), and the Current Interest component of the Certificates shall become due and payable on the earlier of 1) the Distribution Date immediately following the date on which sufficient amounts are transferred by the City from the Recovery Account to the Trustee for deposit in the Revenue Fund to pay the Outstanding Certificate Obligations on all or a part of the Certificates, or 2) the Final Payment Date.

SECTION 4.02. Optional Payment of Accreted Value and Current Interest with Respect to Certificates. The Certificates are also subject to payment prior to the Final Payment Date, in whole or in part on any date, at the option of the City, from optional payments of Repurchase Payments made by the City from any legally available funds, other than Program Receipts, under Section 6.7(a)(v) of the Sale and Repurchase Agreement and transferred by the City to the Trustee for deposit in the Revenue Fund under Section 5.02 hereof at a payment price equal to the Outstanding Certificate Obligations with respect to the Certificates or portion thereof, so paid.

SECTION 4.03. Selection of Certificates for Payment. Whenever provision is made in this Trust Agreement for the payment of less than all of the Certificates, either from Program Receipts or from optional City payments from other City funds, the Trustee shall select the Certificates or portions thereof to be paid first, from all Certificates pro rata among all Series based upon the ratio of the aggregate Accreted Value of such Series of Certificates to the aggregate Accreted Value of all Outstanding Series of Certificates, and then pro rata among all Certificates within a Series, based upon the ratio of the Accreted Value of such Certificate to the aggregate Accreted Value of all Outstanding Certificates of that Series. The Trustee shall promptly notify the Corporation and the City in writing of any payment of Certificates and of the Certificates, or portions thereof so selected for payment.

SECTION 4.04. Notice of Payment. Notice of mandatory payment of Certificates from Program Receipts as provided in Section 4.01 hereof shall be given to Certificate Holders as early as practicable prior to or, if necessary, on the applicable Distribution Date. Notice of optional payment of Certificates from other City funds, as provided in Section 4.02 hereof, shall be given to Certificate Holders at least five days but not more than 30 days prior to the date fixed

for such payment of Certificates and shall be mailed by the Trustee, at the expense of the City, by first class mail, postage prepaid, to the respective Holders of any Certificates designated for such payment at their addresses appearing on the registration books of the Trustee as of the close of business on the day before such notice of payment is given.

Each notice of payment shall state (i) the date of such notice, (ii) the Series and the distinctive Certificate numbers of the Certificates of such Series to be paid, (iii) the Distribution Date, (iv) the payment price, (v) the place or places of payment (including the name and appropriate address or addresses of the Trustee), (vi) the CUSIP numbers (if any) of the Certificates to be paid, and (vii) in the case of Certificates to be paid in part only, the respective portions of the Accreted Value thereof to be paid. Each such notice shall also state that on said Distribution Date there will become due and payable with respect to each of said Certificates the payment price represented thereby or of said specified portion of the Accreted Value thereof in the case of a Certificate to be paid in part only, together with Current Interest accrued with respect thereto through the day immediately preceding the Distribution Date, and that from and after such date interest with respect thereto shall cease to accrue. In the case of a Certificate which is to be paid in full, the notice shall require that such Certificate be then surrendered at the address of the Trustee specified in the notice. In the case of a Certificate which is paid in part only, the Trustee shall maintain records of such partial payment, which records shall be indisputable evidence of such payment, and the Certificate Holder shall make a notation of such partial payment on the payment history table attached to each Certificate.

Failure by the Trustee to mail notice of payment pursuant to this Section 4.04 to any one or more of the respective Holders of any Certificates designated for payment shall not affect the sufficiency of the proceedings for payment with respect to the Holder or Holders to whom such notice was mailed.

SECTION 4.05. Effect of Payment. Notice of payment having been duly given as aforesaid, and moneys for payment of the payment price, including interest accrued through the day immediately preceding the Distribution Date, with respect to the Certificates, and the Certificates (or portions thereof) so designated for payment being held by the Trustee, on the Distribution Date designated in such notice, the Certificates (or portions thereof) so designated for payment shall become due and payable at the payment price specified in such notice, including interest accrued with respect thereto through the day immediately preceding the Distribution Date. On and after the Distribution Date, interest with respect to the Certificates so called for payment shall cease to accrue, said Certificates (or portions thereof) shall cease to be entitled to any benefit or security under this Trust Agreement, and the Holders of said Certificates shall have no rights in respect thereof except to receive payment of said payment price, including accrued interest through the day immediately preceding the Distribution Date.

All Certificates paid in whole pursuant to the provisions of this Article shall be cancelled by the Trustee upon surrender thereof by the Holder thereof to the Trustee.

ARTICLE V

FUNDS AND ACCOUNTS

SECTION 5.01. Pledge and Assignment.

(a) Pledge. Subject only to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, there are hereby pledged to secure the payment of the Certificates, in accordance with their terms and the provisions of this Trust Agreement, all of the interest of the Corporation in the Repurchase Payments and any other amounts held in any fund or account established pursuant to this Trust Agreement. Said pledge shall constitute a first and exclusive lien on and security interest in such assets and shall attach, be perfected, and be valid and binding from and after execution and delivery by the Trustee of the initial Series of the Certificates, without any physical delivery thereof or further act. In accordance with Sections 6.01 and 6.02 hereof, the Corporation covenants and warrants that it will not permit Repurchase Payments from any source, or any other amounts held in any fund or account established pursuant to this Trust Agreement, to be attached by, or otherwise made available to, any other entity.

(b) Assignment. The Corporation hereby transfers in trust, grants a security interest in and assigns to the Trustee (i) for the benefit of the Holders from time to time of the Certificates (a) all of its interests in the Repurchase Payments and other assets pledged in the preceding paragraph and (b) all of its right, title, and interest in the Sale and Repurchase Agreement, except for the rights of the Corporation under Section 8.2 of the Sale and Repurchase Agreement, and (ii) for the benefit of the Original Purchaser, all of its right, title and interest in the right to receive Program Receipts in an amount equal to the Deferred Commitment Fee. Pursuant to Section 7.1 of the Sale and Repurchase Agreement, the City has transferred in trust, granted a security interest in and assigned to the Trustee, for the benefit of the Holders from time to time of the Certificates and for the benefit of the Original Purchaser (to the extent of its interest in the Deferred Commitment Fee) all of its right, title, and interest in the Sale and Repurchase Agreement and all of its interest in the Program Receipts transferred to the Trustee for deposit into the Revenue Fund pursuant to Section 5.02 below. Such assignment is made to the Trustee solely in its capacity as Trustee hereunder and is subject to the provisions of this Trust Agreement.

The Trustee shall be entitled to and shall collect and receive all of the Repurchase Payments. The Trustee also shall be entitled to and shall take all steps, actions, and proceedings following an Event of Default under the Sale and Repurchase Agreement reasonably necessary in its judgment to enforce all of the rights of the Corporation which have been assigned to the Trustee and all of the obligations of the City under the Sale and Repurchase Agreement.

SECTION 5.02. Revenue Fund. The Trustee shall establish, maintain, and hold in trust a separate fund designated as the Lodi Environmental Abatement Program Revenue Fund (the "Revenue Fund"). In accordance with Section 6.4 of the Sale and Repurchase Agreement, within two Business Days after receipt of and deposit of Program Receipts in the Recovery Account established under the City's Municipal Fund and held by the City, the City is required to transfer the Program Receipts to the Trustee. The Program Receipts, and any other amounts received by

the Trustee from the City hereunder or under the Sale and Repurchase Agreement (including but not limited to optional payment of Repurchase Payments from other City funds and transfer of City funds to the Trustee upon the City's acceptance of non-cash settlements under Section 6.6(a) of the Sale and Repurchase Agreement) shall be immediately deposited by the Trustee into the Revenue Fund. Upon receipt of its copy of each Remittance Report from the City in connection with the transfer of Program Receipts, as provided in Section 6.4(b) of the Sale and Repurchase Agreement, the Calculation and Verification Agent shall review such Remittance Report and confirm the calculations contained in each such Remittance Report. The Trustee shall promptly deliver a copy of each such Remittance Report to the Original Purchaser and to each Certificate Holder, as well as any amended Remittance Report which may result from the Calculation and Verification Agent's review. In accordance with the Remittance Report, the Trustee shall return to the City any amounts which the Calculation and Verification Agent determines to be in excess of the amounts required to be transmitted to the Trustee under Section 6.4(a) of the Sale and Repurchase Agreement.

SECTION 5.03. Deferred Commitment Fee Reserve Account. The Trustee shall establish, maintain and hold in trust, as escrow agent for the City, a separate account within the Revenue Fund designated as the Lodi Environmental Abatement Program Deferred Commitment Fee Reserve Account (the "Deferred Commitment Fee Reserve Account"). Amounts remaining in the Revenue Fund after payment of Outstanding Certificate Obligations of all Certificates when due will be transferred to the Deferred Commitment Fee Reserve Account until the balance in said account equals the then current Deferred Commitment Fee, as described in the Certificate Purchase Contract and as calculated by the Calculation and Verification Agent. The amounts in the Deferred Commitment Fee Reserve Account shall be used to pay the Current Interest and Compounded Interest components of outstanding Certificates when due, thereby reducing the required Deferred Commitment Fee Reserve Account balance by the same amount by which the Deferred Commitment Fee is reduced. Program Receipts shall be used to fund the Deferred Commitment Fee Reserve Account in full prior to any retention by the City of Program Receipts pursuant to Section 6.4(e) of the Sale and Repurchase Agreement. Amounts in the Deferred Commitment Fee Reserve Account shall be invested by the Trustee in Investment Securities which mature by the date the invested amounts are expected to be used, and any earnings thereon shall also be used to pay the Current Interest and Compounded Interest components on Certificates when due.

If on any date all Certificates have been paid or discharged in accordance with Article X hereof and, if such date is prior to the Commitment Period Ending Date, either (i) the maximum aggregate principal amount of Certificates, subject to certain reductions as permitted by the Certificate Purchase Contract and this Trust Agreement, has been executed and delivered hereunder, or (ii) any other Commitment Termination Event has occurred, then the City will direct the Trustee to apply all amounts in the Deferred Commitment Fee Reserve Account and all other Program Receipts in the Revenue Fund to the payment of the Deferred Commitment Fee, as provided under Section 6.9 of the Sale and Repurchase Agreement.

SECTION 5.04. Application of Amounts in Revenue Fund. Any moneys on deposit in the Revenue Fund shall be applied immediately upon receipt for the following purposes in the following order of priority: first, to pay the costs of indemnification of the Placement Agent, the Calculation and Verification Agent, the Original Purchaser and Certificate Holders under

Section 8.2 of the Sale and Repurchase Agreement; second, from amounts in the Deferred Commitment Fee Reserve Account and then from other amounts in the Revenue Fund, to pay unpaid accrued Current Interest with respect to the Certificates through such date, and each such payment to the Certificate Holders shall be credited against the City's obligation to pay the Current Interest component of the Repurchase Payments; third, from amounts in the Deferred Commitment Fee Reserve Account and then from other amounts in the Revenue Fund, to pay the Compounded Interest portion of the Accreted Value component of the Repurchase Payments, and each such payment to the Certificate Holders shall be credited against the City's obligation to pay the Compounded Interest portion of the Accreted Value component of the Repurchase Payments; fourth, to pay the Outstanding Principal portion of the Accreted Value component of the Repurchase Payments, and each such payment to the Certificate Holders shall be credited against the City's obligation to pay the Outstanding Principal portion of the Accreted Value component of the Repurchase Payments; fifth, to fund the Deferred Commitment Fee Reserve Account in an amount up to the then current balance of the Deferred Commitment Fee; and sixth, to pay any portion of the Deferred Commitment Fee, if and when due, to the Original Purchaser. Any remaining amounts in the Revenue Fund shall be returned by the Trustee to the City in accordance with Section 6.4(b) of the Sale and Repurchase Agreement and the Remittance Report. For purposes of applying amounts hereunder and for preparing records and accounts required by Section 6.03 hereof, the Trustee shall be entitled to rely on calculations performed by the Calculation and Verification Agent in accordance with the Calculation Worksheet substantially in the form provided in Exhibit D hereto.

SECTION 5.05. Investment of Moneys in Funds. Subject to the limitations provided herein, all moneys in any of the funds and accounts established under this Trust Agreement shall be invested by the Trustee solely in Investment Securities which mature on or before the date the invested amounts are expected to be used. All Investment Securities shall be acquired subject to the limitations set forth in this Section, and such additional limitations or requirements consistent with the foregoing as may be established by Request of the City or the Corporation. In the absence of written investment directions from the City or the Corporation, the Trustee shall invest solely in Investment Securities.

All interest, profits and other income received from the investment of moneys in any fund or account established under this Trust Agreement shall be deposited when received in such fund or account. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Investment Securities acquired as an investment of moneys in any fund or account established under this Trust Agreement shall be credited to that fund or account. For the purpose of determining the amount in any such fund or account, all Investment Securities credited to such fund or account shall be valued at the lesser of cost or market value plus, prior to the first payment of interest following purchase, the amount of accrued interest, if any, paid as a part of the purchase price.

The Trustee may commingle any of the funds or accounts established under this Trust Agreement in a separate fund or funds for investment purposes only, provided that all funds or

accounts held by the Trustee hereunder shall be accounted for separately as required by this Trust Agreement, and provided further that the Trustee shall not be liable or responsible for any loss resulting from such commingling. The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell or present for prepayment any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment. The Trustee shall not be responsible for any tax, fee or other charge related to any investment, reinvestment or the liquidation thereof. The Corporation and the City acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Corporation and the City the right to receive brokerage confirmations of security transactions as they occur, the Corporation and the City specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Corporation and the City periodic transaction statements that include detail for all investment transactions made by the Trustee hereunder.

ARTICLE VI

PARTICULAR COVENANTS

SECTION 6.01. Protection Against Encumbrances; Single Purpose Corporation. The Corporation shall not create, or permit the creation of, any pledge, Lien, charge or other encumbrance upon the Repurchase Payments and other assets pledged or assigned under this Trust Agreement while any of the Certificates are Outstanding, except the pledge and assignment created by this Trust Agreement. The Corporation shall not participate in any other financing or other arrangement in addition to the sale and repurchase of Program Receipts and the issuance of the Certificates hereunder and under the Sale and Repurchase Agreement.

SECTION 6.02. Power to Enter Into the Agreement and Make Pledge and Assignment. The Corporation represents and warrants that it is duly authorized under law to enter into the Sale and Repurchase Agreement and this Trust Agreement and to pledge and assign all of the Repurchase Payments and other assets pledged and assigned under this Trust Agreement in the manner and to the extent provided in this Trust Agreement. The Corporation and the Trustee, subject to the provisions of this Trust Agreement, shall at all times, to the extent permitted by law, defend, preserve, and protect said pledge and assignment of all of their respective interests in the Repurchase Payments and other assets and all the rights of the Certificate Holders under this Trust Agreement against all claims and demands of all persons whomsoever.

SECTION 6.03. Accounting Records of Trustee; Functions of Calculation and Verification Agent. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards in which complete and accurate entries shall be made of all transactions relating to (a) Issuance Requests and the execution and delivery of all Certificates, (b) the application of Certificate proceeds, including all reports, records, notices and requests submitted by the City under the Sale and Repurchase Agreement, (c) the receipt and application of Program Receipts, and amounts on deposit in the funds and accounts established hereunder and under the Ordinance, (d) the calculation of the

Variable Rate and Accreted Value of each Certificate, (e) the payment of Accreted Value and Current Interest component of each Certificate, (f) the maintenance of the Deferred Commitment Fee Reserve Account, the calculation of the outstanding Deferred Commitment Fee and the payment of the Deferred Commitment Fee, (g) the filing of financing statements and continuation statements under the UCC in accordance with Section 4.3 of the Sale and Repurchase Agreement and Section 6.04(a) hereof, (h) settlements pursuant to Section 6.6 of the Sale and Repurchase Agreement, (i) optional payments of Certificates from other City funds, and (j) transaction statements detailing investment transactions made by the Trustee in accordance with Section 5.05 hereof.

Such books of record and account shall be available for inspection by the Corporation, the City, the Calculation and Verification Agent, the Original Purchaser and any other Certificate Holder, or their respective agents or representatives duly authorized in writing, at reasonable hours and under reasonable circumstances upon reasonable notice. During each month during the term of this Trust Agreement, the Trustee shall furnish to the City, to the Original Purchaser and to each Certificate Holder who shall have filed his name and address with the Trustee for such purpose, a Trustee Statement for the then preceding month. The Trustee shall also comply with all requirements of the Internal Revenue Code with respect to the withholding from any payments made by the Trustee on any Certificates of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith.

For purposes of assisting the Trustee in calculating amounts to be paid under this Trust Agreement and in preparing records and accounts required by this section, the Calculation and Verification Agent shall review and confirm the City's calculations in each Quarterly Budget Reporting Form (and any amendments thereto submitted in accordance with the Program Budget) and in each Remittance Report, Reallocation Notice, and Ongoing Obligation Payment Limit Increase Form, and shall prepare and keep a Calculation Worksheet substantially in the form described in Exhibit D hereto. In performing such functions and all other functions assigned to it hereunder and under the Sale and Repurchase Agreement, the Calculation and Verification Agent shall be subject to the same standards of conduct and shall be entitled to the same protection from liability as is applicable to the Trustee hereunder, including but not limited to the provisions of Section 8.03.

The Calculation and Verification Agent may at any time resign by giving at least 30 days written notice to the City, the Trustee, the Original Purchaser and the Certificate Holders. The Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, may remove the Calculation and Verification Agent at any time. Upon any such resignation or removal, the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, shall appoint a successor Calculation and Verification Agent, which shall be a financial institution, investment banking firm or accounting firm with a national reputation and capable of performing the functions assigned to the Calculation and Verification Agent herein and in the Sale and Repurchase Agreement.

SECTION 6.04. Covenants Under Sale and Repurchase Agreement. The Trustee shall promptly collect all amounts due from the City pursuant to the Sale and Repurchase Agreement and this Trust Agreement and, subject to the provisions of this Trust Agreement, shall diligently

enforce, and take all steps, actions, and proceedings reasonably necessary for the enforcement of all of the obligations of the City in and under the Sale and Repurchase Agreement and this Trust Agreement that have been assigned to it pursuant to Section 5.01(b) hereof. Included among these actions, but not exclusive of other actions, are the following:

(a) The Trustee shall file continuation statements under the Uniform Commercial Code with regard to any financing statements originally filed by or on behalf of the City as described in Section 4.3 of the Sale and Repurchase Agreement, and the Trustee shall provide a copy of all such statements to the City and the Original Purchaser.

(b) As provided in Section 6.6 of the Sale and Repurchase Agreement, if the City accepts non-cash settlements with regard to more than two Sites, it will engage an Independent Consultant to determine the dollar value of such non-cash settlements. The City's selection of such an Independent Consultant shall be transmitted to the Trustee, who shall request the consent, which shall not be unreasonably withheld, of the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value. Upon receipt of such Independent Consultant's valuation of the non-cash settlement, the City will remit to the Trustee, for deposit into the Revenue Fund, from any available funds of the City, an amount equal to the lesser of the valuation or the Outstanding Certificate Obligations on all Certificates. The Trustee shall treat this remittance like the remittance of any other Program Receipts hereunder. If the dollar value of the non-cash settlement, as determined by the Independent Consultant, is greater than the Outstanding Certificate Obligations, or if there are no Outstanding Certificates, the City's acceptance of a non-cash settlement will reduce the Purchase Commitment by the remaining dollar value of the non-cash settlement. Upon the written direction of the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, the Trustee shall waive the provisions of this paragraph (b) in advance of a settlement.

(c) In accordance with Section 6.5 of the Sale and Repurchase Agreement, if the City substitutes its Outside Counsel or modifies the terms of its engagement of its Outside Counsel, the City shall submit a description of such substitution or modification to the Trustee. The Trustee shall forward this information to the Original Purchaser so that the Original Purchaser may determine, in its sole discretion, whether such substitution or modification results in a materially prejudicial change which would permit the Original Purchaser to terminate the Purchase Commitment. If the Purchase Commitment is so terminated, the Original Purchaser shall so notify the Trustee, who shall notify the City of such termination, and the Trustee, on behalf of the City, will pay the Deferred Commitment Fee to the Original Purchaser in accordance with the terms of this Trust Agreement.

(d) As provided in Section 6.4(e) of the Sale and Repurchase Agreement, if, on or before the Commitment Period Ending Date, there are no Certificates Outstanding, the Deferred Commitment Fee Reserve Account is fully funded, and no Commitment Termination Event has occurred, then the City may retain all Program Receipts and, subject to payment of Permitted Deductions, may deposit such Program Receipts into the Program Account. The Trustee shall notify the Original Purchaser of the amount so retained, and the Original Purchaser will determine if it chooses to reduce the Purchase Commitment by such an amount. If the Purchase

Commitment is so reduced, the Original Purchaser shall so notify the Trustee and the Calculation and Verification Agent. The Trustee shall notify the City of the Original Purchaser's determination, and the Calculation and Verification Agent shall revise its records to reflect the resulting adjustments to the Purchase Commitment and the principal amount of Certificates remaining to be executed and delivered hereunder.

(e) The Trustee shall not deliver any consent requested by the City under the Sale and Repurchase Agreement unless (i) the Original Purchaser has consented in writing to the giving of such consent, and (ii) if any action requested to be taken or agreement waived by the City could have a material adverse effect on Certificate Holders, the Holders of at least 51% of outstanding Accreted Value of Certificates, including the Original Purchaser, shall have given their written consent.

SECTION 6.05. Further Assurances. The Corporation shall make, execute, and deliver any and all such further indentures, instruments, and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement and for the better assuring and confirming unto the Holders of the Certificates of the rights and benefits provided in this Trust Agreement.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. Events of Default. The following events shall be Events of Default:

(a) default in the due and punctual payment of the Outstanding Certificate Obligations with respect to the Certificates when and as the same shall become due and payable;

(b) default by the Corporation in the observance of any of the other covenants, agreements or conditions on its part contained in this Trust Agreement, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Corporation by the Trustee, or to the Corporation and the Trustee by the Holders of not less than fifty-one percent (51%) in aggregate Accreted Value of the Certificates (including the Original Purchaser) at the time outstanding;

(c) Any assertion in any proceeding, forum or action by the Corporation or on its behalf to the effect that performance of the Corporation's obligations under the Sale and Repurchase Agreement or this Trust Agreement are unlawful or of the Corporation's intention to disavow or repudiate any such obligations; or

(d) an Event of Default under the Sale and Repurchase Agreement shall have occurred and shall not have been remedied or waived.

Upon actual knowledge by a vice president, assistant vice president or trust officer of the Trustee of the existence of any Event of Default, the Trustee shall notify the City and the Corporation in writing as soon as practicable; provided, however, that the Trustee need not

provide notice of any Event of Default under the Sale and Repurchase Agreement if the City has expressly acknowledged the existence of Event of Default in a writing delivered to the Trustee and the Corporation.

SECTION 7.02. Application of Program Receipts and Other Funds After Default. If an Event of Default shall occur and be continuing, all Program Receipts, Repurchase Payments, and any other funds then held or thereafter received by the Trustee under any of the provisions of this Trust Agreement (subject to Section 11.10) shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Certificates and payment of reasonable fees, charges, and expenses of the Trustee and the Calculation and Verification Agent (including reasonable fees and disbursements of their respective counsel) incurred in and about the performance of their powers and duties under this Trust Agreement;

(b) To the payment of the Outstanding Certificate Obligations and Deferred Commitment Fee then due (upon presentation of the Certificates to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Trust Agreement, as follows:

First: To the payment to the Persons entitled thereto of all payments of Current Interest then due, calculated in accordance with Section 2.04 hereof, and, if the amount available shall not be sufficient to pay in full any payment or payments due on such date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of all payments of the Compounded Interest portion of the Accreted Value then due, calculated in accordance with Section 2.04 hereof, and, if the amount available shall not be sufficient to pay in full any payment or payments due on such date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference;

Third: To the payment to the Persons entitled thereto of the unpaid Outstanding Principal portion of the Accreted Value with respect to any Certificates that shall have become due and, if the amount available shall not be sufficient to pay in full all the Certificates due on any date, then to the payment thereof ratably, according to the amounts of original principal due on such date to the Persons entitled thereto, without any discrimination or preference; and

Fourth: To the payment of the Deferred Commitment Fee to the Original Purchaser.

SECTION 7.03. Trustee to Represent Certificate Holders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Certificates, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and

lawful attorney-in-fact of the Holders of the Certificates for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Certificates, this Trust Agreement, the Sale and Repurchase Agreement and applicable provisions of law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Certificate Holders, the Trustee in its discretion may, and upon the written request of the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of the Original Purchaser and such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under this Trust Agreement, the Sale and Repurchase Agreement or any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Program Receipts, Repurchase Payments, and other assets pledged under this Trust Agreement pending such proceedings. All rights of action under this Trust Agreement or the Certificates or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Certificates or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Certificates, subject to the provisions of this Trust Agreement.

SECTION 7.04. The Certificate Holders' Direction of Proceedings. Anything in this Trust Agreement to the contrary notwithstanding, the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Trust Agreement, and that the Trustee shall have the right to decline to follow any such direction that in the opinion of the Trustee would be unjustly prejudicial to the Certificate Holders not parties to such direction or the Trustee.

SECTION 7.05. Limitation on Certificate Holders' Right to Sue. Neither the Original Purchaser nor any Holder of any Certificate shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Trust Agreement, the Sale and Repurchase Agreement or any applicable law with respect to such Certificate, unless (1) the Original Purchaser or such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) the Original Purchaser and such Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of

sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by the Original Purchaser or any Holder of Certificates of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Certificates or the Original Purchaser shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Trust Agreement or the rights of any other Holders of Certificates, or to enforce any right under this Trust Agreement, the Sale and Repurchase Agreement or other applicable law regarding the Certificates, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Certificates, subject to the provisions of this Trust Agreement.

Subject to the provisions of this Trust Agreement, each Certificate Holder shall have the right to receive payment of the Outstanding Certificate Obligation represented by said Certificate Holder's Certificate at the respective dates on which the same become due and payable in accordance with the terms, from the source and in the manner provided in such Certificate, in the Sale and Repurchase Agreement and in this Trust Agreement, and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Certificate Holder.

SECTION 7.06. Termination of Proceedings. In case any proceedings taken by the Trustee or the Original Purchaser and any one or more Certificate Holders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Original Purchaser and the Certificate Holders, then in every such case the Corporation, the City, the Trustee, the Original Purchaser and the Certificate Holders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Corporation, the Trustee, the City, the Original Purchaser and the Certificate Holders shall continue as though no such proceedings had been taken.

SECTION 7.07. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Original Purchaser or the Holders of the Certificates is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.08. No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Certificates to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Trust Agreement to the Trustee or to the Original Purchaser or the Holders of the Certificates may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. Duties, Immunities and Liabilities of Trustee.

(a) The Corporation hereby appoints U.S. Bank Trust National Association as Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default that may have occurred, perform such duties and only such duties as are specifically set forth in this Trust Agreement. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise, as a reasonable person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) The Corporation may, and upon written request of the City, shall, remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value (or their attorneys duly authorized in writing), or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Corporation and the City and by giving notice of such resignation by mail, first-class postage prepaid, to the Original Purchaser at the address specified herein and to the Certificate Holders at the addresses listed on the registration books kept by the Trustee. Upon receiving such notice of resignation, the City and the Corporation shall promptly appoint a successor Trustee by an instrument in writing.

(d) The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within thirty (30) days after giving notice of removal or notice of resignation as provided herein, the resigning Trustee, the Original Purchaser or any Certificate Holder (on behalf of himself and all other Certificate Holders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the Corporation and the City and to its predecessor Trustee a written acceptance of the appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become

vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the City or Corporation or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Corporation and the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the successor Trustee shall cause such notice to be mailed, first-class postage prepaid, to the Holders at the addresses listed on the registration books kept by the Trustee.

(e) Any successor Trustee shall be a trust company, corporation or bank having the powers of a trust company, having a combined capital and surplus (or the parent holding company of which has a combined capital and surplus) of at least seventy-five million dollars (\$75,000,000), and be subject to supervision and examination by a federal or state authority. If such bank, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection, the combined capital and surplus of such bank, corporation or trust (or holding) company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection, the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.02. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (e) of Section 8.01, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the Certificates contained shall be taken as statements of the Corporation, and the Trustee does not assume any responsibility for the correctness of the same or make any representations about the validity or sufficiency of this Trust Agreement or of the Certificates, and the Trustee shall not incur any responsibility for them, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon it except for any recital or representation specifically relating to the Trustee or its powers. The Trustee shall be responsible, however, for its representations contained in the sentence preceding its signature on the Certificates. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default;

provided, that this shall not be construed to limit the effect of subsection (e) hereof. The Trustee may become the owner of Certificates with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to any committee formed to protect the rights of Certificate Holders, whether or not such committee shall represent the Holders of a majority in Accreted Value of the Certificates then Outstanding (including the Original Purchaser).

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value (or such lesser Accreted Value as is provided hereby) of the Certificates at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Trust Agreement.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request, order or direction of the Original Purchaser or any of the Certificate Holders under the provisions of this Trust Agreement unless the Original Purchaser or such Certificate Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby.

(e) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Trust Agreement.

(f) No provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) Whether or not expressly so provided, every provision of this Trust Agreement, the Sale and Repurchase Agreement or other documents relating to the execution and delivery of the Certificates, or relating to the conduct of, affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

(h) Subject to the other provisions of this Trust Agreement, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document, but the Trustee, in its discretion, may make such further investigation or inquiry into such facts or matters as it may deem fit, and, if the Trustee shall

determine to make such further inquiry or investigation, the Trustee shall be entitled to examine the books, records and premises of the City, personally or by agent or attorney.

(i) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, co-trustees or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, co-trustee or attorney appointed with due care by it hereunder.

(j) The Trustee shall have no responsibility or liability for any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the execution and delivery of the Certificates.

(k) In acting as Trustee hereunder, the Trustee acts solely in its capacity as Trustee hereunder and not in its individual or personal capacity, and all Persons, including without limitation the Original Purchaser, the Holders, the City and the Corporation, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidenced by the Certificates.

(l) Before taking any action under Article VII hereof the Trustee may require indemnity satisfactory to the Trustee be furnished for any expenses and to protect it against any liability it may incur hereunder.

(m) The immunities and indemnities extended to the Trustee also extend to its directors, officers, employees and agents.

(n) The permissive rights of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty.

SECTION 8.04. Right of Trustee to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Corporation or the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection for any action taken or suffered by it hereunder in good faith and in accordance therewith.

With the exception of persons in whose names Certificates are registered on the books maintained by the Trustee for such purpose, the Trustee shall not be bound to recognize any Person as the Holder of a Certificate unless and until such Certificate is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Statement of the Corporation, and such Statement shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Trust Agreement in reliance

upon such Statement, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Corporation, the City, the Calculation and Verification Agent, the Original Purchaser and any Certificate Holder, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

SECTION 8.06. Compensation and Indemnification. The City, pursuant to Sections 6.7(b) of the Sale and Repurchase Agreement, is obligated to:

- (1) pay the Trustee from time to time reasonable compensation for all services rendered by it hereunder in accordance with an agreement between the City and the Trustee (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);
- (2) except as otherwise expressly provided herein, reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's negligence or bad faith; and
- (3) indemnify the Trustee for, and hold it harmless against, any loss, liability or expense (including, without limitation, fees and expenses of its attorneys) incurred without negligence or bad faith on the Trustee's part, arising out of or in connection with the acceptance or administration of this trust or the performance of its duties hereunder, or in connection with the Sale and Repurchase Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder or in connection with the Sale and Repurchase Agreement.

The provisions of this Subsection 8.06 shall survive the termination of this Trust Agreement and the resignation and removal of the Trustee.

ARTICLE IX

MODIFICATION OR AMENDMENT OF AGREEMENTS

SECTION 9.01. Amendments Permitted.

(a) This Trust Agreement, the Sale and Repurchase Agreement and the rights and obligations of the Corporation, the City, the Original Purchaser, the Holders of the Certificates, the Trustee and the Calculation and Verification Agent may be modified or amended from time to time and at any time by a Supplemental Trust Agreement or Supplemental Sale and

Repurchase Agreement, which the Corporation, the City and the Trustee may enter into when the written consent of the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, has been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Certificates of any particular Series remain outstanding, the consent of the Holders of such Certificates shall not be required, and such Certificates shall not be deemed to be Outstanding for the purpose of any calculation of Certificates Outstanding under this Section. No such modification or amendment shall (1) extend the Final Payment Date of any Certificate, or reduce the amount of Accreted Value represented thereby, or reduce the rate of interest represented thereby, or extend the time of payment of Outstanding Certificate Obligations, without the written consent of the Original Purchaser and the Holder of each Certificate so affected, or (2) reduce the aforesaid percentage of Certificates the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any Lien on the Program Receipts, Repurchase Payments and other assets pledged under this Trust Agreement prior to or on a parity with the lien created by this Trust Agreement, or deprive the Holders of the Certificates of the lien created by this Trust Agreement on such Program Receipts, Repurchase Payments, and other assets (except as expressly provided in this Trust Agreement), without the consent of the Original Purchaser and the Holders of all of the Certificates then outstanding, and no such modification or amendment shall adversely affect the rights of the Original Purchaser without the consent of the Original Purchaser. Promptly after the execution by the Corporation, the City, and the Trustee of any Supplemental Trust Agreement or Supplemental Sale and Repurchase Agreement pursuant to this subsection (a), the Trustee shall mail a notice, first-class postage prepaid, setting forth in general terms the substance of such Supplemental Trust Agreement or Supplemental Sale and Repurchase Agreement, to any rating agency then rating the Certificates, and to the Holders at the addresses listed on the registration books kept by the Trustee pursuant to Section 2.10 hereof. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement or Supplemental Sale and Repurchase Agreement.

(b) This Trust Agreement, the Sale and Repurchase Agreement and the rights and obligations of the Corporation, the City, the Trustee and the Holders of the Certificates may also be modified or amended from time to time and at any time by a Supplemental Trust Agreement or Supplemental Sale and Repurchase Agreement, respectively, which the Corporation, the City and the Trustee may enter into for any one or more of the following purposes when the written consent of the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, has been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Certificates of any particular Series remain outstanding, the consent of the Holders of such Certificates shall not be required and such Certificates shall not be deemed to be Outstanding for the purpose of any calculation of Certificates Outstanding under this Section:

- (1) to add to the covenants and agreements of the Corporation or the City contained in this Trust Agreement or the Sale and Repurchase Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Certificates (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Corporation or the City, provided, that no

such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Original Purchaser or the Holders of the Certificates;

- (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in this Trust Agreement or the Sale and Repurchase Agreement, or in regard to matters or questions arising under this Trust Agreement or the Sale and Repurchase Agreement, or to make any other revisions or additions to this Trust Agreement or the Sale and Repurchase Agreement as the Corporation or the City may deem necessary or desirable, and which, in the opinion of the Trustee shall not materially adversely affect the interests of the Original Purchaser or the Holders of the Certificates; or
- (3) to modify, amend or supplement this Trust Agreement in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Original Purchaser or the Holders of the Certificates.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any Supplemental Trust Agreement or Supplemental Sale and Repurchase Agreement authorized by subsections (a) or (b) of this Section that adversely affects the Trustee's own rights, duties or immunities under this Trust Agreement or otherwise. In executing, or accepting the additional trusts created by, any Supplemental Trust Agreement permitted by this Article or the modifications thereby of the trusts created by this Trust Agreement, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Trust Agreement is authorized by and in compliance with this Trust Agreement.

SECTION 9.02. Effect of Supplemental Trust Agreement and Supplemental Sale and Repurchase Agreement. Upon the execution of any Supplemental Trust Agreement or Supplemental Sale and Repurchase Agreement under this Article, said agreements shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under said agreements of the Corporation, the City, the Trustee, the Calculation and Verification Agent, the Original Purchaser and all Holders of Outstanding Certificates shall thereafter be determined, exercised and enforced hereunder and thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Trust Agreement or Supplemental Sale and Repurchase Agreement shall be deemed to be part of the terms and conditions of this Trust Agreement and the Sale and Repurchase Agreement, respectively, for any and all purposes.

SECTION 9.03. Endorsement of Certificates; Preparation of New Certificates. Certificates delivered after the execution of any Supplemental Trust Agreement pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Trustee as to any modification or amendment provided for in such Supplemental

Trust Agreement, and, in that case, upon demand of the Holder of any Outstanding Certificate at the time of such execution and presentation of his or her Certificate for such purpose at the Corporate Trust Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Certificate. If the Supplemental Trust Agreement shall so provide, new Certificates so modified as to conform, in the opinion of the Corporation, to any modification or amendment contained in such Supplemental Trust Agreement shall be prepared and executed by the Trustee and, upon demand of the Holders of any Certificates then Outstanding, shall be exchanged at the Corporate Trust Office of the Trustee, without cost to any Certificate Holder, for Certificates then Outstanding, upon surrender for cancellation of such Certificates in equal aggregate principal amounts having the same Final Payment Date.

SECTION 9.04. Amendment of Particular Certificates. The provisions of this Article shall not prevent any Certificate Holder from accepting any amendment on the particular Certificates held by him, provided that due notation thereof is made on such Certificates.

ARTICLE X

DEFEASANCE

SECTION 10.01. Discharge of Trust Agreement. When the Outstanding Certificate Obligations on all of the Certificates have been paid in full and no additional Certificates may be executed and delivered hereunder, and when the Deferred Commitment Fee has been paid to the Original Purchaser, then and in that case, the obligations created by this Trust Agreement shall thereupon cease, determine and become void, and the Trustee shall release and discharge the City's obligations under the Sale and Repurchase Agreement and shall turn over to the City upon its written request, as an overpayment of Repurchase Payments, all balances remaining in funds or accounts, and after such payment, this Trust Agreement shall become void. Upon Request of the Corporation, the Trustee shall cause an accounting for such period or periods as may be requested by the Corporation to be prepared and filed with the Corporation and shall execute and deliver to the Corporation all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Sale and Repurchase Agreement and the Trust Agreement.

SECTION 10.02. Payment of Certificates After Discharge of Trust Agreement. Notwithstanding any provisions of this Trust Agreement, any moneys held by the Trustee in trust for the payment of Outstanding Certificate Obligations with respect to any Certificates and remaining unclaimed for two years after the Outstanding Certificate Obligations with respect to all of the Certificates have become due and payable (whether on their Final Payment Date or upon an earlier Distribution Date), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Certificates became due and payable, shall be repaid to the City free from the trusts created by this Trust Agreement, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the City as aforesaid, the City or the Trustee, as the case may be, may (at the cost of the City) first mail a notice, in such form as may be deemed appropriate by the Trustee, to the Holders of the Certificates so payable and not presented and with respect to the provisions relating to the repayment to the City of the

moneys held for the payment thereof at the addresses shown on the registration books maintained by the Trustee. In the event of the repayment of any such moneys to the City as aforesaid, the Holders of the Certificates with respect to which such moneys were deposited shall thereafter be deemed to be general unsecured creditors of the City for amounts equivalent to the respective amounts deposited for the payment of such Certificates and so repaid to the City (without interest thereon), subject to any applicable statute of limitations.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Liability of Corporation Limited. Notwithstanding anything contained in this Trust Agreement, the Sale and Repurchase Agreement, or in the Certificates, the Corporation shall not be required to advance any moneys derived from any source other than the Program Receipts, the Repurchase Payments, and the other assets pledged under this Trust Agreement for any of the purposes mentioned in this Trust Agreement, whether for the payment of the Outstanding Certificate Obligations with respect to the Certificates or for any other purpose of this Trust Agreement.

SECTION 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Trust Agreement either the Corporation, the City, the Trustee or the Calculation and Verification Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the Corporation, the City, the Trustee or the Calculation and Verification Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03. Limitation of Rights to Parties and Certificate Holders. Subject to Section 11.16 hereof, nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give to any Person other than the Corporation, the City, the Trustee, the Calculation and Verification Agent, the Original Purchaser and the Holders of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement, the Certificates or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Corporation, the City, the Trustee, the Calculation and Verification Agent, the Original Purchaser and the Holders of the Certificates.

SECTION 11.04. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice, and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05. Destruction of Certificates. Whenever in this Trust Agreement provision is made for the cancellation by the Trustee and the delivery to the Corporation of any Certificates, the Trustee may, in lieu of such cancellation and delivery, destroy such Certificates

(in the presence of an officer of the Corporation, if the Corporation shall so require) and deliver a certificate of such destruction to the Corporation.

SECTION 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Trust Agreement or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Trust Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Corporation and the Trustee each hereby declares that it would have entered into this Trust Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the execution and delivery of the Certificates pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

SECTION 11.07. Notices.

Any notice to or demand upon the Corporation, the City, the Trustee or the Original Purchaser shall be deemed to have been sufficiently given or served for all purposes by being deposited, first-class postage prepaid, in a post office letter box, addressed, as the case may be:

(i) If to the Corporation:

Lodi Financing Corporation
c/o City of Lodi
221 West Pine Street
Lodi, California 95240
Attention: President

(ii) If to the City:

City of Lodi
221 West Pine Street
Lodi, California 95240
Attention: City Attorney

(iii) If to the Trustee:

U.S. Bank Trust National Association
One California Street, 4th Floor
San Francisco, California 94111
Attention: Lodi Financing Corporation

(iv) If to the Calculation and Verification Agent:

Lehman Brothers Inc.

Attention: _____

(v) If to the Original Purchaser:

Attention: _____

The Corporation, the City, the Trustee, the Calculation and Verification Agent and the Original Purchaser may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates and other communications shall be sent.

SECTION 11.08. Evidence of Rights of Certificate Holders. Any request, consent or other instrument required or permitted by this Trust Agreement to be signed and executed by Certificate Holders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Certificate Holders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Certificates transferable by delivery, shall be sufficient for any purpose of this Trust Agreement and shall be conclusive in favor of the Trustee, of the City and of the Corporation if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Certificates shall be proved by the Certificate registration books held by the Trustee.

Any request, consent, or other instrument or writing of the Holder of any Certificate shall bind every future Holder of the same Certificate and the Holder of every Certificate executed and delivered in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Corporation in accordance therewith or reliance thereon.

SECTION 11.09. Disqualified Certificates. In determining whether the Holders of the requisite aggregate Accreted Value of Certificates have concurred in any demand, request, direction, consent or waiver under this Trust Agreement, Certificates which are owned or held by or for the account of the Corporation or by any other obligor on the Certificates, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common

control with, the Corporation or any other obligor on the Certificates, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination; provided, however, that the Trustee shall not be deemed to have knowledge that any Certificate is owned or held by or for the account of the Corporation unless the Corporation or the City is the registered Holder or the Trustee has received written notice that any other registered Holder is the owner or is holding for the account of the Corporation. Certificates so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Certificates and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Corporation or any other obligor on the Certificates. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 11.10. Money Held for Particular Certificates. The money held by the Trustee for the payment of the Outstanding Certificate Obligations due on any date with respect to particular Certificates (or portions of Certificates in the case of registered Certificates prepaid in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Certificates entitled thereto, subject, however, to the provisions of Section 10.02.

SECTION 11.11. Funds and Accounts. Any fund required by this Trust Agreement to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with standard trust procedures, to the extent practicable, and with due regard for the requirements of Section 6.03 and for the protection of the security of the Certificates and the rights of every Holder thereof.

SECTION 11.12. Waiver of Personal Liability. No governing body member, officer, agent, or employee of the Corporation or of the City shall be individually or personally liable for the payment of the principal or payment price or interest with respect to the Certificates or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such governing body member, officer, agent, or employee from the performance of any official duty provided by law or by this Trust Agreement.

SECTION 11.13. Execution in Several Counterparts. This Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Corporation, the City and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.14. Governing Law. This Trust Agreement shall be construed in accordance with and governed by the Constitution and laws of the State California.

SECTION 11.15. Business Days. Except as herein provided, if any date specified herein shall not be a Business Day, any action required on such date may be made on the next succeeding Business Day with the same effect as if made on such date.

SECTION 11.16. Original Purchaser as Third Party Beneficiary. The Original Purchaser shall be an express, intended third party beneficiary of the agreements, covenants and all other provisions of this Trust Agreement. The City's obligations hereunder shall survive termination of the Sale and Repurchase Agreement and shall continue until the unpaid Deferred Commitment Fee has been paid to the Original Purchaser.

IN WITNESS WHEREOF, LODI FINANCING CORPORATION has caused this Trust Agreement to be signed in its name by one of its duly authorized officers and U.S. Bank Trust National Association, in token of its acceptance of the trusts created hereunder, has caused this Trust Agreement to be signed in its corporate name by its duly authorized officers, all as of the day and year first above written.

LODI FINANCING CORPORATION

By _____
President

(SEAL)

ATTEST:

Secretary

APPROVED AS TO FORM:

Corporation Counsel

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

EXHIBIT A

[FORM OF CERTIFICATE OF PARTICIPATION]

THIS CERTIFICATE OF PARTICIPATION HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER ANY STATE SECURITIES LAWS IN RELIANCE ON EXEMPTIONS PROVIDED BY THE SECURITIES ACT AND SUCH STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS CERTIFICATE OF PARTICIPATION, AGREES FOR THE BENEFIT OF THE LODI FINANCING CORPORATION (THE "CERTIFICATE OF PARTICIPATION ISSUER") THAT SUCH CERTIFICATE OF PARTICIPATION IS BEING ACQUIRED FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTION AND THAT SUCH CERTIFICATE OF PARTICIPATION MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY IF SUCH RESALE, PLEDGE OR TRANSFER (A) IS MADE IN ACCORDANCE WITH SECTION 2.07 OF THE TRUST AGREEMENT REFERRED TO HEREIN AND (B) IS MADE (1) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (2) TO A PERSON WHOM THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHO IS AWARE THAT THE RESALE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

Lodi Financing Corporation
(Environmental Abatement Program)
Variable Rate Certificates of Participation, Series _____
Evidencing a Proportionate Interest of the Holder hereof
in Repurchase Payments to be Paid by the
CITY OF LODI

FINAL CERTIFICATE <u>PAYMENT DATE</u>	<u>DATED DATE</u>	<u>CUSIP NO.</u>
January 1, 2029	[Delivery Date]	

REGISTERED HOLDER:

PRINCIPAL AMOUNT:

THIS IS TO CERTIFY that the registered holder identified above of this Certificate of Participation (herein called the "Certificate") is the owner of an undivided proportionate interest in the right to receive certain Repurchase Payments under and defined in that certain Program Receipts Sale and Repurchase Agreement, dated as of **[Dated Date]** (the "Sale and Repurchase Agreement"), by and between the City of Lodi, a municipal corporation organized and existing under the laws of the State of California (the "City"), and the Lodi Financing Corporation, a nonprofit corporation organized and existing under the laws of the State of California (the "Corporation"), which Repurchase Payments have been assigned without recourse to U.S. Bank Trust National Association, as trustee (together with any successor trustee, the "Trustee"), in accordance with that certain Trust Agreement, dated as of **[Dated Date]** (the "Trust Agreement"), by and among the Corporation and the Trustee.

All capitalized terms used herein that are not otherwise defined shall have the same meanings as in the Sale and Repurchase Agreement and the Trust Agreement.

The registered holder of this Certificate is entitled to receive, subject to the terms of the Trust Agreement, on the certificate payment date stated above (the "Final Payment Date"), the principal amount specified above (and, together with Compounded Interest, the Accreted Value, as described below), representing a portion of the Repurchase Payments designated as Accreted Value coming due on the Final Payment Date, and to receive from the later of (i) the date of initial delivery of the Certificates of the Series of which this Certificate is a part or (ii) the date to which Current Interest has previously been paid or made available for payment on Outstanding Certificates of such Series, and continuing to the Final Payment Date or the date of prior payment hereof, whichever is earlier, the registered holder's proportionate share of the Repurchase Payments designated as Current Interest. Said proportionate share is the result of the multiplication of the aforesaid portion of the Repurchase Payment designated as Accreted Value by the Variable Rate per annum determined from time to time in accordance with the Trust Agreement. Current Interest shall be calculated on the basis of a 360-day year and the number of days elapsed. Current Interest shall continue to accrue at the Variable Rate, as adjusted from time to time in accordance with the Trust Agreement, and such amount will become Compounded Interest and will be added to outstanding principal or Accreted Value each December 31. The sum of principal and such Compounded Interest shall constitute the Accreted Value of this Certificate.

Said Accreted Value and Current Interest are payable in lawful money of the United States of America by check mailed on each Distribution Date, as such term is defined in the Sale and Repurchase Agreement, to the person whose name appears on the registration books of the Trustee as the registered holder hereof as of the close of business on the Business Day immediately preceding such Distribution Date (the "Record Date") at the address appearing on the registration books maintained by the Trustee, or by wire transfer within the United States to any registered holder of at least \$1,000,000 in aggregate principal amount of Certificates if such registered holder has submitted a written request for such wire transfer to the Trustee for such purpose.

This Certificate has been executed by the Trustee under the terms of the Trust Agreement. Copies of the Trust Agreement are on file at the Corporate Trust Office of the Trustee in San Francisco, California (or, in the case of a successor Trustee, at the principal

corporate trust office of such successor Trustee), and reference is made to the Trust Agreement and any and all amendments thereof for a description of the pledges and covenants securing the Certificates, the nature, extent and manner of enforcement of such pledges and covenants, the rights and remedies of the registered holders of the Certificates with respect thereto and the other terms and conditions upon which the Certificates are delivered thereunder. Copies of the Sale and Repurchase Agreement are on file at the principal corporate trust office of the Trustee.

The Certificates each evidence a proportionate interest in the Repurchase Payments which, in the aggregate, equal the aggregate Accreted Value and Current Interest components represented by Certificates of a Series executed and delivered from time to time by the Trustee under the Trust Agreement. The obligation of the City to make Repurchase Payments is a limited obligation of the City, payable solely from Program Receipts (as that term is defined in the Sale and Repurchase Agreement) and secured by a pledge and assignment of all of the interests of the Corporation and the City in said Repurchase Payments and Program Receipts and of amounts held in the funds and accounts established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application thereof for or to the purposes and on the terms and conditions set forth therein.

The Certificates are subject to payment prior to the Final Payment Date, in whole or in part on any date, to the extent that moneys are available in the Recovery Account and from optional additional payments of Repurchase Payments made by the City under the Sale and Repurchase Agreement and deposited in the Revenue Fund under the Trust Agreement, at a payment price equal to the Accreted Value of the Certificates called for payment, plus Current Interest accrued through the day immediately preceding the Distribution Date.

This Certificate shall be on a parity with all other Certificates of this Series and Certificates of all other Series. Whenever provision is made for the payment of less than all of the Certificates, the Trustee shall select the Certificates or portions thereof, in \$1,000 increments, to be paid first, from all Certificates pro rata among all Series based upon the ratio of the aggregate Accreted Value of such Series of Certificates to the aggregate Accreted Value of all Outstanding Series of Certificates, and then pro rata among all Certificates within a Series, based upon the ratio of the Accreted Value of such Certificate to the aggregate Accreted Value of all Outstanding Certificates of that Series.

As provided in the Trust Agreement, notice of optional payment of Certificates by the City from funds other than Program Receipts shall be given by mail, first-class postage prepaid, not less than five or more than 30 days prior to the Distribution Date, to the registered holder of each Certificate to be paid in whole or in part at the address shown on the registration books held by the Trustee. Notice of mandatory payment of Certificates from Program Receipts shall be given to Certificate holders as early as practicable before or, if necessary, on such Distribution Date. Failure by the Trustee to mail such notice shall not affect the sufficiency of the proceedings for payment for the holders to whom such notice was mailed. If this Certificate is called for payment and payment is duly provided herefor as specified in the Trust Agreement, interest shall cease to accrue hereon from and after the Distribution Date.

The Certificates shall be executed and delivered in the form of fully registered Certificates in the minimum denomination of \$250,000 or any increment of \$1,000 in excess thereof.

Subject to the limitations and conditions and upon payment of the charges, if any, provided in the Trust Agreement, Certificates may be exchanged for a like aggregate principal amount of fully registered Certificates of other authorized denominations of the same Series.

This Certificate is transferable by the registered holder hereof, in person or by the registered holder's attorney duly authorized in writing, at the principal corporate trust office of the Trustee or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender and cancellation of this Certificate. Upon such transfer a new Certificate or Certificates of the same Series, in an authorized denomination or denominations, and for the same aggregate principal amount, will be executed and delivered to the transferee in exchange herefor. The Trustee may treat the registered holder hereof as the absolute owner hereof for all purposes.

The Trustee shall not be required to transfer or exchange any Certificate after such Certificate has been selected for payment.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended or supplemented by the parties thereto, but no such amendment or supplement shall (1) extend the Final Payment Date of this Certificate, or reduce the amount of Accreted Value represented hereby, or reduce the rate of interest represented hereby, or extend the time for payment of Accreted Value hereof or Current Interest hereon, without the written consent of the registered holder hereof, or (2) reduce the percentage of holders of Certificates whose consent is required for the execution of any amendment of or supplement to the Trust Agreement, or permit the creation of any Lien on the Program Receipts, Repurchase Payments and other assets pledged under the Trust Agreement prior to or on a parity with the lien created by the Trust Agreement, or deprive the holders of the Certificates of the lien created by the Trust Agreement on the Program Receipts, Repurchase Payments and other such assets (except as expressly provided in the Trust Agreement), without the consent of the Original Purchaser and holders of all Certificates then outstanding, all as more fully set forth in the Trust Agreement.

The Trustee has no obligation or liability to the holders of the Certificates to make payments of the Accreted Value or Current Interest payable on the Certificates, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer the Revenue Fund established under the Trust Agreement for the benefit of the holders of the Certificates and to perform the other duties expressly provided in the Trust Agreement. The Trustee has executed this Certificate solely in its capacity as Trustee under the Trust Agreement.

THE CITY SHALL NOT BE OBLIGATED TO PAY THE REPURCHASE PAYMENTS INCLUDING THE ACCRETED VALUE OR CURRENT INTEREST COMPONENTS OF THE CERTIFICATES, EXCEPT FROM PROGRAM RECEIPTS (AS DEFINED IN THE SALE AND ASSIGNMENT AGREEMENT) RECEIVED BY THE CITY, AND THE FAITH AND CREDIT OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE REPURCHASE PAYMENTS OR OTHERWISE TO THE PAYMENT OF THE PRINCIPAL OR INTEREST ON THE CERTIFICATES.

IN WITNESS WHEREOF, the Certificates have been executed by the manual signature of an authorized signatory of the Trustee.

Date of Execution:

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned does hereby sell, assign and transfer unto _____ the within-mentioned Certificate and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated: _____

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular, without alteration or enlargement or any change whatsoever.
Signature Guaranteed:

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

CERTIFICATE PAYMENT HISTORY

<u>Date</u>	<u>Current Interest Paid</u>	<u>Compounded Interest Paid</u>	<u>Outstanding Principal Paid</u>	<u>Total Amount Paid</u>
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EXHIBIT B

FORM OF ISSUANCE REQUEST

REQUEST AND CERTIFICATE OF THE CITY

Lodi Financing Corporation
Not to Exceed \$16,000,000
Aggregate Principal Amount of
City of Lodi, California
Variable Rate Certificates of Participation
(Environmental Abatement Program)

To: U.S. Bank Trust National Association
Corporate Trust Services
One California Street, 4th Floor
San Francisco, CA 94111

Attention: Sue Vargas, Vice President
Relationship Specialist

The City of Lodi, California (the "City") hereby requests and directs the Trustee, on behalf of the Lodi Financing Corporation (the "Corporation"), to execute and deliver \$_____ of the Corporation's Variable Rate Certificates of Participation ("Certificates") (Environmental Abatement Program), Series ____ to **[Purchaser]** on _____ **[Delivery Date]**.

We, the City Attorney and Finance Director **[City Manager]**, respectively, of the City, hereby certify as follows:

1. The representations and warranties of the City contained in (a) the Certificate Purchase Contract, dated _____, 1999 (the "Certificate Purchase Contract"), among the City, the Corporation and Environmental Restoration Company Ltd. with respect to the sale, execution, and delivery of not to exceed \$16,000,000 aggregate principal amount of the Certificates and (b) the Program Receipts Sale and Repurchase Agreement, dated _____, 1999 (the "Sale and Repurchase Agreement") between the City and the Corporation are true and correct in all material respects on and as of the date hereof as if made on this date.

2. There is no action, suit, proceeding, inquiry, or investigation, at law or in equity before or by any court, government agency, public board, or body, pending or, to the best of my knowledge, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain, or enjoin the sale, execution, or delivery of the Certificates or the collection of the Program Receipts (as defined in the Sale and Repurchase Agreement) to be used to pay the principal and interest components of the Certificates, or the pledge of funds and accounts pursuant to the Trust Agreement (as defined in the Sale and Repurchase Agreement), or contesting the powers of the Trustee thereunder with

respect to the execution of the Certificates; nor, to the best of our knowledge, is there any basis for any such action, suit, proceeding, inquiry, or investigation, wherein an unfavorable decision, ruling, or finding would materially adversely affect the authorization, execution, delivery, or performance by the City of the obligations on its part contained in the Program Documents, as defined in the Certificate Purchase Contract.

3. After investigation and review of the Program Documents, no event of default, nor any event which, after the passage of time or the giving of notice would constitute an event of default under a Program Document has occurred and is continuing.

4. The City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the date hereof pursuant to the Program Documents, including compliance with the Program Budget and including any reallocation of amounts therein.

5. The City represents that it will use the proceeds of this issuance in conformance with the Program Budget set forth in Exhibit A to the Sale and Repurchase Agreement. The principal amount of Certificates to be executed and delivered hereunder does not exceed the Cumulative Disbursement Cap for the calendar quarter immediately following the Delivery Date, as set forth in the Program Budget, less the principal amount of any Certificates previously executed and delivered.

6. Between the date of the Certificate Purchase Contract and the date hereof, the City has not, without the prior written consent of the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, offered or issued any bonds, notes, or other obligations for borrowed money, or incurred any material liabilities, direct or contingent, payable from Program Receipts.

7. All capitalized terms used herein that are not otherwise defined shall have the same meanings as in the Certificate Purchase Contract and the Sale and Repurchase Agreement.

8. The City hereby requests and directs the Trustee, after the Trustee's review of this Request and Certificate, to deliver a copy of this Request and Certificate to the Purchaser at least 10 Business Days prior to the Delivery Date.

[Delivery Date]

CITY OF LODI

By: _____
[Name]
[City Attorney]

By: _____
[Name]
[City Manager or Finance Director]

EXHIBIT C

FORM OF TERMINATION NOTICE

Lodi Financing Corporation
Not to Exceed \$16,000,000
Aggregate Principal Amount of
City of Lodi, California
Variable Rate Certificates of Participation
(Environmental Abatement Program)

To: U.S. Bank Trust National Association
Corporate Trust Services
One California Street, 4th Floor
San Francisco, CA 94111

Attention: Sue Vargas, Vice President
Relationship Specialist

1. Pursuant to the Certificate Purchase Contract dated _____ (the "Certificate Purchase Contract"), between the City of Lodi, California (the "City"), the Lodi Financing Corporation (the "Corporation") and Environmental Restoration Company, Ltd., the City hereby certifies, represents and warrants that it will make no additional Issuance Requests to the Trustee and is hereby irrevocably and permanently discontinuing all Issuance Requests.

Last Issuance Request made on: _____

Last Issuance Request amount: _____

Date of Delivery of Certificates under last Issuance Request: _____

2. The undersigned hereby certifies that this Notice is in compliance with the Certificate Purchase Agreement and the Program Receipts Sale and Repurchase Agreement, dated _____, between the City and the Corporation (the "Sale and Repurchase Agreement").

3. All capitalized terms used herein that are not otherwise defined shall have the same meanings as in the Certificate Purchase Contract and the Sale and Repurchase Agreement.

4. The City has delivered a copy of this Termination Notice to the Purchaser under the Certificate Purchase Contract and to the Calculation and Verification Agent.

CITY OF LODI

By: _____
[Name]
[Title]

cc: Original Purchaser
Calculation and Verification Agent

EXHIBIT D

Calculation Worksheet for Lodi Financing Corporation Certificates of Participation

Purpose of Worksheet

The Calculation and Verification Agent should maintain a spreadsheet, database, or similarly organized record ("Worksheet") of all Events (as defined below) relative to the Certificates of Participation. A sample Worksheet in Microsoft Excel format has been provided to the Calculation and Verification Agent. The Worksheet's columns or categories should contain substantially the same items and formulas as those described below under "Worksheet Categories".

The Worksheet should allow the Calculation and Verification Agent to track activity related to the Lodi Financing Corporation Certificates of Participation. The Calculation and Verification Agent should add a new line to the Worksheet (in chronological order) for each Event. An "Event" is defined as any of the following:

1. Closing
2. Issuance of additional Series of Certificates
3. City's receipt of Program Receipts
4. City's payment of principal and interest of Certificates from sources other than Program Receipts
5. The conclusion of any Interest Period
6. Transfer of funds out of the Deferred Commitment Fee Reserve Account to pay Interest
7. December 31 ("Compounding of Interest Event")

Worksheet Categories

Note regarding formulas: Numbers in parentheses in the formulas below refer to the corresponding amounts for the current Event, except where numbers are followed by "P". A number followed by "P" refers to the corresponding amount for the prior Event. For example, "(14)" refers to the new Accreted Value resulting from the Event currently being recorded, whereas "(14P)" refers to the Accreted Value that resulted from the prior Event.

1. **Event Date:** Record the date on which the corresponding Event takes place.
2. **Days Elapsed since Prior Event:** Calculate the number of actual calendar days elapsed since the prior Event Date

3. **Interest Rate for Period:** 20% plus LIBOR as of the last LIBOR Determination Date effective for the period up to and including the Event Date
4. **Interest for Period:** $(14P) \times (3) \times [(2) \div 360]$ (Zero at Closing)
5. **Program Receipts (Net of Permitted Deductions) or Other Payment:** Record the full amount of any Program Receipts, net of Permitted Deductions, from which Certificates are paid. If the Event involves payment of Certificates from a source other than Program Receipts, record this payment amount.
6. **Transfer Out of Deferred Commitment Fee Reserve Account:** Record any amount transferred out of the Deferred Commitment Fee Reserve Account to pay interest.
7. **Payment of Current Interest:** The lesser of:
 - (a) If a Compounding of Interest Event, (4), otherwise $(4) + (8P)$; or
 - (b) $(5) + (6)$
8. **New Current Interest:** If a Compounding of Interest Event, $(4) - (7)$, otherwise $(4) + (8P) - (7)$ (Zero at Closing)
9. **Payment of Compounded Interest:** The lesser of:
 - (a) $(5) - (7)$, or
 - (b) $(10P)$;
 not less than zero
10. **New Compounded Interest:** If a Compounding of Interest Event, $(10P) + (8P) - (9)$, otherwise $(10P) - (9)$ (Zero at Closing)
11. **New Issuance:** Record the amount of new Certificates issued.
12. **Payment of Outstanding Principal:** The lesser of
 - (a) $(5) - (7) - (9)$, or
 - (b) $(13P) + (11)$;
 not less than zero
13. **New Outstanding Principal:** $(13P) + (11) - (12)$ ((11) at Closing)
14. **New Accreted Value:** $(10) + (13)$ ((11) at Closing)
15. **Deposit in Deferred Commitment Fee Reserve Account:** The lesser of
 - (a) \$2,250,000 minus cumulative paid Current Interest (i.e. the sum of (7) for all Events through Current Event) minus cumulative paid Compounded Interest (i.e. the sum of (9) for all Events through Current Event), or
 - (b) $(5) - (7) - (9) - (12)$;
 not less than zero

16. **Deferred Commitment Fee Reserve Account Balance:** $(16P) + (15) - (6)$ (Zero at Closing)
17. **Deferred Commitment Fee Reserve Account Excess (Shortfall):** (16) minus the greater of:
(a) zero, or
(b) \$2,250,000 minus the cumulative Interest (i.e. the sum of all (4) for all Events through Current Event)
18. **Program Receipts Available for Program Account:** $(5) - (7) - (9) - (12) - (15)$; not less than zero

Lodi Financing Corporation
Not to Exceed \$16,000,000
Aggregate Principal Amount of
Variable Rate Certificates of Participation
(Environmental Abatement Program)

CERTIFICATE PURCHASE CONTRACT

[Date of Contract]

City of Lodi
221 West Pine Street
Lodi, California 95240

Lodi Financing Corporation
221 West Pine Street
Lodi, California 95240

Ladies and Gentlemen:

The undersigned (the "Purchaser") offers to enter into this Certificate Purchase Contract (the "Purchase Contract") with the City of Lodi, California (the "City") and the Lodi Financing Corporation (the "Corporation") which, upon the City's and the Corporation's acceptance of this offer, will be binding upon the City and the Corporation and upon the Purchaser. This offer is made subject to the City's and the Corporation's written acceptance hereof on or before 5:00 P.M., San Francisco time, on the date hereof or such other time as the parties hereto mutually agree upon and, if not so accepted, will be subject to withdrawal by the Purchaser upon written notice (by facsimile or otherwise) delivered to the City and the Corporation at any time prior to the acceptance hereof by the City and the Corporation.

Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Sale and Repurchase Agreement (hereinafter defined).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties, and agreements set forth herein, the Purchaser hereby agrees to purchase, and the City and the Corporation hereby agree to cause the sale, execution, and delivery to the Purchaser of, not to exceed \$16,000,000 aggregate principal amount (the

"Purchase Commitment") of Variable Rate Certificates of Participation (Environmental Abatement Program) (the "Certificates") evidencing and representing interests of the owners thereof in the Repurchase Payments to be made by the City under the Program Receipts Sale and Repurchase Agreement, dated as of **[Dated Date]** (the "Sale and Repurchase Agreement"), by and between the City and the Corporation. Under the provisions of the Sale and Repurchase Agreement, the City will irrevocably sell and convey to the Corporation its right to receive amounts, proceeds and recoveries from, or in contemplation of, or in connection with, the potential liability of responsible parties or potentially responsible parties, their insurers or indemnitors, or of tortfeasors or potential tortfeasors, their insurers or indemnitors ("Program Receipts") received by the City in connection with its Environmental Abatement Program (the "Program"), as described in the Sale and Repurchase Agreement and in the City's Comprehensive Municipal Environmental Response and Liability Ordinance, as amended (the "Ordinance"), and the Corporation will irrevocably resell and reconvey undivided interests in the Program Receipts in consideration of the payment by the City of the Repurchase Payments under the Sale and Repurchase Agreement.

The Certificates shall be executed and delivered in Series from time to time pursuant to a Trust Agreement, dated as of **[Dated Date]** (the "Trust Agreement"), by and among the Corporation and U.S. Bank National Trust Association, as trustee (the "Trustee"), and shall represent undivided proportionate interests in the Corporation's right to receive Repurchase Payments under the Sale and Repurchase Agreement. The City's obligation to make Repurchase Payments under the Sale and Repurchase Agreement is a limited obligation of the City, payable solely from Program Receipts. The City has authorized the execution of this Purchase Contract, the Sale and Repurchase Agreement, and a Placement Agent Agreement, dated _____ (the "Placement Agent Agreement") between the City and Lehman Brothers Inc., as Placement Agent, as well as related matters, pursuant to the terms of a resolution adopted by the City Council of the City on _____, 1999 (the "City Resolution"). The Corporation has authorized the execution of this Purchase Contract and the Trust Agreement, as well as related matters, pursuant to the terms of a resolution adopted by the Board of Directors of the Corporation on _____, 1999 (the "Corporation Resolution"). This Purchase Contract, the Sale and Repurchase Agreement, the Placement Agent Agreement, the Trust Agreement, the Ordinance, the City Resolution and the Corporation Resolution are herein referred to as the "Program Documents." This Purchase Contract, the Trust Agreement, the Sale and Repurchase Agreement and the Placement Agent Agreement are collectively referred to herein as the "Legal Documents."

The initial Series of the Certificates shall be executed and delivered on **[Closing Date]** in the aggregate principal amount of \$ _____. Each subsequent Series of the Certificates shall be executed and delivered on the applicable Delivery Date (as defined in the Sale and Repurchase Agreement) and in the aggregate principal amount specified by the City in an Issuance Request (as defined in the Sale and Repurchase Agreement and in substantially the form attached hereto as Exhibit D) submitted by the City in accordance with the terms of the Trust Agreement. The maximum principal amount of Certificates that may be executed and delivered on any Delivery Date is an amount equal to the Cumulative Disbursement Cap for the immediately succeeding calendar quarter (as set forth in Exhibit A to the Sale and Repurchase Agreement), less any principal amount of Certificates previously executed and delivered. The purchase price for each Series of the Certificates shall be equal to the aggregate principal amount

of such Series of the Certificates, and no Series of Certificates will be executed and delivered in an aggregate amount of less than \$250,000. No Delivery Date shall occur after the "Commitment Period Ending Date," which shall be four years after the initial Closing Date.

If the City has determined to permanently and irrevocably discontinue Issuance Requests, it shall deliver to the Trustee a Termination Notice (as defined in the Sale and Repurchase Agreement and in substantially the form attached hereto as Exhibit E) in accordance with the terms of the Trust Agreement.

2. Purchase Commitment and Commitment Period. On the first Business Day of each January, April, July and October after the date hereof and prior to the Commitment Period Ending Date, the Purchaser shall purchase a Series of Certificates in an amount, if any, specified by the Trustee upon acceptance of an Issuance Request received from the City as provided in the Trust Agreement. The Purchase Commitment shall be reduced, dollar for dollar, without further action on the part of the Purchaser, by 1) the principal amount of Certificates executed and delivered under the Trust Agreement and 2) the City's receipt of Program Receipts, whether cash or non-cash, and whether or not there are any Certificates Outstanding at the time, in an amount up to the full amount of the Purchase Commitment, including but not limited to (i) the City's retention of Program Receipts as provided in Section 6.4(e) of the Sale and Repurchase Agreement and (ii) the value of non-cash settlements accepted by the City as provided in Section 6.6(a) of the Sale and Repurchase Agreement.

The Purchase Commitment shall terminate on the earlier of the Commitment Period Ending Date or the occurrence of any of the following "Commitment Termination Events:" 1) the City's delivery of a Termination Notice to the Trustee and the Original Purchaser, in substantially the form attached hereto as Exhibit E, stating that it will make no further Issuance Requests, 2) the reduction of the Purchase Commitment to zero by one or more of the events described in the preceding paragraph, 3) the Original Purchaser's decision to terminate the Purchase Commitment, in accordance with Section 6.5 of the Sale and Repurchase Agreement, if the City substitutes its Outside Counsel or modifies the terms of engagement of its Outside Counsel in a manner which, in the sole determination of the Original Purchaser, results in a materially prejudicial change; or 4) in the sole discretion of the Original Purchaser, an uncured Event of Default under the Sale and Repurchase Agreement or under the Trust Agreement, or a violation by the City or the Corporation of any covenant, representation or warranty made herein, in the Sale and Repurchase Agreement or in the Trust Agreement, including but not limited to the occurrence of any of the proceedings or actions described in Section 9.1(e) of the Sale and Repurchase Agreement relating to bankruptcy or insolvency of the City or the Corporation or other actions described therein. The City may terminate the Purchase Commitment in whole or in part, at any time, provided that such termination will in no way diminish the City's obligation to pay the Deferred Commitment Fee or the Outstanding Certificate Obligations of all Certificates.

3. Deferred Commitment Fee. The City shall pay to the Original Purchaser, in consideration for its commitment hereunder to purchase the Certificates from time to time and to assume the substantial risks attendant thereto, a deferred commitment fee equal to \$2.25 million (the "Deferred Commitment Fee"). The Deferred Commitment Fee shall be due and payable on the date on which all of the Certificates are paid in full or discharged in accordance with the

Trust Agreement, and if such date is prior to the Commitment Period Ending Date, a Commitment Termination Event (as defined in Section 2 above and in the Sale and Repurchase Agreement) has occurred. The Deferred Commitment Fee shall be equal to the difference between \$2.25 million and the cumulative portion of Repurchase Payments representing interest (including Compounded Interest and Current Interest) paid with respect to the Certificates on or prior to such date as the Deferred Commitment fee is due; thus the Deferred Commitment Fee will be reduced dollar for dollar for each dollar of interest paid with respect to the Certificates. The Deferred Commitment Fee shall be payable in accordance with Sections 6.4(d) and 6.9 of the Sale and Repurchase Agreement and Sections 5.03 and 5.04 of the Trust Agreement (it being understood and agreed that the Original Purchaser shall be an express third party beneficiary of the agreements and covenants made by the Corporation under the Trust Agreement), and the sole source of payment of such Deferred Commitment Fee shall be Program Receipts.

A Deferred Commitment Fee Reserve Account shall be established and maintained by the Trustee under the Trust Agreement from Program Receipts, in an amount which, after payment of Accreted Value and Current Interest components on all Outstanding Certificates when due, equals the then current Deferred Commitment Fee.

The City acknowledges and agrees that the City's obligation to pay the Deferred Commitment Fee shall survive the payment of the Certificates or termination of the Purchase Commitment. The Deferred Commitment Fee shall be payable to the Original Purchaser executing this Purchase Contract irrespective of the fact that the Original Purchaser may have sold or transferred its ownership interest in all or a portion of the Certificates by the time the payment of the Deferred Commitment Fee so made hereunder and under the Trust Agreement.

4. Closing. At 8:00 a.m., San Francisco time, on **[Closing Date]** (the "Closing Date"), and at 8:00 a.m., San Francisco time, on each Delivery Date thereafter with respect to which the City has submitted an Issuance Request, the City, subject to the terms and conditions hereof, will cause the sale and delivery of the applicable Series of the Certificates to the Purchaser, duly executed, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Purchaser will accept such delivery and pay the purchase price of such Series of the Certificates as set forth in Section 1 hereof by wire transfer of immediately available funds. Such delivery and payment on the Closing Date is referred to herein as the "Initial Closing," such delivery and payment on each subsequent Delivery Date is referred to herein as a "Subsequent Closing," and the Initial Closing or any Subsequent Closing is referred to herein as a "Closing." Delivery and payment as aforesaid shall be made at the offices of the City, 221 West Pine Street, Lodi, California, or at such other place as shall have been mutually agreed upon by the City and the Purchaser.

5. The Certificates. The Certificates of each Series shall be dated the date of delivery thereof, shall have a Final Payment Date of January 1, 2029, and shall evidence and represent an undivided proportional interest in Repurchase Payments payable under the Sale and Repurchase Agreement. The Certificates shall be payable as provided in the Sale and Repurchase Agreement and the Trust Agreement. Current Interest payable with respect to the Certificates shall accrue at the Variable Rate determined from time to time pursuant to the Sale and Repurchase Agreement and the Trust Agreement, but in no event shall the Variable Rate exceed 30% per annum. Accreted Value and Current Interest payable with respect to the Certificates shall be payable as and when Program Receipts are received by the City and transferred to the Trustee for deposit in the Revenue Fund, as described in the Trust Agreement. The sum of all Current Interest accruing during any calendar year shall be added to the Accreted Value of the Certificates as of each December 31, after which date such Accreted Value will bear interest at the Variable Rate.

6. Representations, Warranties and Agreements. Each of the City and the Corporation (but only to the extent of its own representations set forth below) hereby and respectively represent, warrant and agree respectively as of the Initial Closing, and by delivery of an Issuance Request and by the Trustee's execution and delivery, on behalf of the Corporation, of the Certificates so requested, will have been deemed to have represented, warranted and agreed respectively as of each Subsequent Closing as follows:

(a) The City and the Corporation have full legal right, power and authority to (i) enter into the Legal Documents, (ii) cause the sale, execution, and delivery of each Series of the Certificates to the Purchaser as provided herein and (iii) carry out and consummate the transactions contemplated by the Program Documents;

(b) By all necessary official action of the City and the Corporation, as the case may be, prior to or concurrently with the acceptance hereof, the City and the Corporation have duly authorized and approved the execution and delivery of, and the performance by the City and the Corporation of, the obligations on the part of each contained in, the Legal Documents, and the consummation by them of all other transactions contemplated by the Legal Documents;

(c) The City and the Corporation, as the case may be, have complied and are in compliance, in all material respects with the obligations on its part contained in the Program Documents;

(d) Neither the City nor the Corporation is in any material respect in breach of or default under any applicable constitutional provision, law, ordinance or administrative regulation to which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including the Cooperative Agreement) or other instrument to which the City or the Corporation is a party or to which the City or the Corporation or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Certificates and the Legal Documents, and compliance with the provisions on the City's part or the Corporation's part, as the

case may be, contained therein, will not conflict with or constitute a breach of or a default under any constitutional provision, law, ordinance, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement, or other instrument to which the City or the Corporation, as this case may be, is a party or to which the City or the Corporation, as the case may be, or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or the Corporation, as the case may be, or under the terms of any such constitutional provision, law, ordinance, administrative regulation or instrument, except as provided in the Sale and Repurchase Agreement and the Trust Agreement;

(e) All authorizations, approvals, licenses, permits, consents, and orders of any governmental authority, legislative body, board, agency, or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City or the Corporation, as the case may be, of their respective obligations in connection with the execution and delivery of the Certificates under the Trust Agreement have been duly obtained, except for such approvals, consents, and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Certificates; and all authorizations, approvals, licenses, permits, consents, and orders of any governmental authority, board, agency, or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City or the Corporation of their respective obligations under the Program Documents have been duly obtained;

(f) Between the date of this Purchase Contract and the date on which no Certificates are outstanding and no additional Series of Certificates may be executed and delivered hereunder and under the Trust Agreement, neither the City nor the Corporation will, without the prior written consent of the Purchaser, offer or issue any bonds, notes, or other obligations for borrowed money, or incur any material liabilities, direct or contingent, payable from Program Receipts;

(g) There is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the City and the Corporation, as the case may be, after reasonable investigation, threatened against the City or the Corporation, as the case may be, affecting the existence of the City or the Corporation, as the case may be, or the titles of their officers to their respective offices, or affecting or seeking to prohibit, restrain, or enjoin the sale, execution, or delivery of the Certificates or the collection of the Program Receipts to be used to pay the Repurchase Payments, or the pledge of and lien on the funds and accounts established pursuant to the Trust Agreement, or contesting or affecting the validity or enforceability of the Certificates or the Legal Documents, or contesting the powers of the City or the Corporation, as the case may be, or any authority of either entity for the execution and delivery of the Certificates, or in any way contesting

or challenging the consummation of the transactions contemplated hereby, or which might materially adversely affect the ability of the City or the Corporation, as the case may be, to collect Program Receipts; nor is there any known basis for any such action, suit, proceeding, inquiry, or investigation, wherein an unfavorable decision, ruling, or finding would materially adversely affect the authorization, execution, delivery, or performance by the City or the Corporation, as the case may be, of the Legal Documents or the execution by the Trustee of the Certificates;

(h) At any time prior to the date on which no Certificates are outstanding and no additional Series of Certificates may be executed and delivered hereunder and under the Trust Agreement, the City and the Corporation, as the case may be, will furnish such information, execute such instruments, and take such other action in cooperation with the Purchaser as the Purchaser may request in order (i) to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Purchaser may designate, and (ii) to determine the eligibility of the Certificates for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Certificates; provided, however, that neither the City nor the Corporation shall be required to qualify to do business or consent to service of process in connection with any such qualification or determination in any jurisdiction;

(i) No filing or other action, other than the execution of the Legal Documents, is required to create for the benefit of the Trustee and the Certificate Holders a first and perfected lien and security interest on Program Receipts and, upon execution of the Legal Documents, such a first lien shall exist.

(j) The City and the Corporation will apply the proceeds from the sale of the Certificates solely for the purposes specified in the Sale and Repurchase Agreement and the Trust Agreement.

(k) The City and the Corporation are aware that the Original Purchaser hereunder is an affiliate of the Placement Agent, and the City and the Corporation hereby consent to such affiliation and waive any objection thereto.

(l) The City and the Corporation will assist the Original Purchaser and the Placement Agent in preparing materials for use in any private placement of the Certificates which the Original Purchaser or the Placement Agent may determine to offer, which assistance shall include but not be limited to the preparation of a private placement memorandum. At the time of any such private placement, the City and the Corporation will represent and warrant that the information provided by each of them, respectively, is true and correct, and the City and the Corporation shall provide the same indemnification and opinions as are provided hereunder and shall be subject to the same obligations, as applicable, as hereunder. The provisions of this Section 6(l) shall survive the termination of this Purchase Contract and discharge of the City's obligations under the Trust Agreement.

7. Indemnification.

(a) General Indemnity. The City shall, to the extent permitted by law, indemnify and hold harmless the Corporation, the Trustee (as the assignee of the Corporation's rights under the Sale and Repurchase Agreement), the Placement Agent, the Calculation and Verification Agent, the Original Purchaser, each Certificate Holder and their members, directors, officers, employees, and agents from and against any and all losses, claims, damages, liabilities, or expenses of every kind, character, and nature whatsoever (excepting therefrom only such losses, claims, damages, liabilities, or expenses arising from the negligence of the Corporation or the Trustee), including, but not limited to, losses, claims, damages, liabilities, or expenses arising out of, resulting from, or in any way connected with (1) the City's interest in, or use of, the Program Receipts or any portion thereof; (2) the sale of the Certificates and the carrying out of any of the transactions contemplated by the Certificates, this Purchase Contract, the Trust Agreement, the Sale and Repurchase Agreement or any related document; (3) the carrying out of the Program; or (4) the acceptance of and administration by the Trustee of the Trustee's duties under the Trust Agreement. The City shall, to the extent permitted by law and, with respect to the indemnification of the Placement Agent, the Calculation and Verification Agent, the Original Purchaser and each Certificate Holder (each a "Special Indemnified Party"), to the extent permitted by clause (b) below, pay or reimburse the Corporation, the Trustee, the Special Indemnified Parties and their members, directors, officers, employees and agents for any and all costs, reasonable attorneys fees, liabilities or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions. Notwithstanding anything to the contrary in the Sale and Repurchase Agreement or the Trust Agreement, the Trustee and the Corporation shall not be entitled to payment, reimbursement or indemnification for actions involving willful misconduct, default or negligence on the part of the Trustee or the Corporation, respectively.

(b) Limited Source Indemnity. The obligation of the City to defend, indemnify, and hold harmless the Special Indemnified Parties for any suits or claims arising from the sale of the Certificates or the City's pursuit of the Program (as described in the preceding paragraph), shall be payable solely from (i) Program Receipts, and (ii) any proceeds of insurance or self-insurance programs in which the City has participated or will participate. With regard to item (i), if currently available Program Receipts are insufficient to pay attorney fees and expenses and other litigation related costs at the time they are incurred, the Special Indemnified Parties may fund the excess of such fees and expenses, and any future Program Receipts will be used to reimburse the Special Indemnified Parties for such amounts. With regard to item (ii), the City agrees to cooperate fully with the Special Indemnified Parties in submitting and pursuing claims against such City insurers, although the City will have no obligation to maintain any insurance coverage.

(c) Special Conditions. The City's indemnity obligation to the Special Indemnified Parties under section (b) above is subject to the following conditions:

(1) The City will pay attorneys' fees and costs of a single law firm chosen by the Special Indemnified Parties to collectively represent the Special Indemnified Parties, and such counsel shall, to the extent consistent with the Special Indemnified Parties' interests, cooperate with the City and avoid duplication and wastefulness in the assertion of defenses;

(2) The City will pay attorneys' fees and costs of additional law firms to represent an individual Special Indemnified Party where (i) the counsel retained under (c)(1) above could not, as a result of applicable law or code of professional responsibility, assert a defense on behalf of such an individual Special Indemnified Party while simultaneously representing the other Special Indemnified Parties for reasons including, but not limited to, a situation in which the use of counsel chosen by the Special Indemnified Parties to represent the Special Indemnified Party or Parties would present such counsel with a conflict of interest, or in which the actual or potential defendants in, or targets of, any such action include the Special Indemnified Party or Parties and the City and the Special Indemnified Party or Parties shall have reasonably concluded that there may be legal defenses available to it and/or other Special Indemnified Parties that are different from or additional to those available to the City, or (ii) the City shall authorize the Special Indemnified Parties to employ separate counsel at the expense of the City; and

(3) The City will not, without the prior written consent of the Special Indemnified Parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in which indemnification or contribution may be sought hereunder (whether or not the Special Indemnified Parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each Special Indemnified Party from all liability arising out of such claim, action, suit or proceeding.

The provisions of this Section 7 shall survive the termination of this Purchase Contract and the discharge of the City's obligations under the Trust Agreement.

8. Closing Conditions. The Purchaser has entered into this Purchase Contract in reliance upon the representations and warranties of the City and the Corporation contained herein, upon the representations and warranties to be contained in the documents and instruments to be delivered at each Closing, and upon the performance by the City and the Corporation of their respective obligations hereunder, both as of the date hereof and as of each Delivery Date. Accordingly, the Purchaser's obligations under this Purchase Contract to purchase, to accept delivery of, and to pay for each Series of the Certificates shall be conditioned, at the option of the Purchaser, upon the performance by the City and the Corporation, as the case may be, of their respective obligations to be performed hereunder and under such documents and instruments at or prior to the applicable Closing, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the City and the Corporation, as the case may be, contained herein shall be true, complete, and correct on the date hereof and on and as of the applicable Delivery Date, as if made on such Delivery Date, and the statements of the officers and other officials of the City, the Corporation, and the Trustee made in any certificate or other document furnished pursuant to the provisions hereof shall be accurate;

(b) At the time of the applicable Closing, the Sale and Repurchase Agreement and the Trust Agreement shall have been duly authorized, executed, and delivered by the respective parties thereto, all in substantially the forms heretofore submitted to the Purchaser, with only such changes as shall have been agreed to in writing by the Purchaser, and shall be in full force and effect; the Cooperative Agreement and the Ordinance shall be in full force and effect and shall not have been amended in any manner that adversely affects the interests of the Purchaser or the Certificate Holders, and there shall be in full force and effect such resolution or resolutions of the City Council of the City and the Board of Directors of the Corporation as, in the opinion of counsel to the Purchaser ("Purchaser's Counsel"), shall be necessary or appropriate in connection with the transactions contemplated hereby;

(c) Between the date hereof and the applicable Delivery Date, the marketability of the Certificates shall not have been materially adversely affected, in the judgment of the Purchaser (evidenced by a written notice to the City, the Corporation and the Trustee terminating the obligation of the Purchaser to accept delivery of and make any payment for any additional Series of the Certificates), by reason of any of the following:

(1) legislation enacted, introduced in the Congress, or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States, or an order, ruling, regulation (final, temporary, or proposed), or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, shall have been made or issued to the effect that obligations of the general character of the Certificates, or the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(2) the declaration of war or engagement in major military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States;

(3) the declaration of a general banking moratorium by federal, New York, or California authorities, or the general suspension of trading on any national securities exchange;

(4) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Certificates or obligations of the general character of the Certificates or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Purchaser; or

(5) an order, decree, or injunction of any court of competent jurisdiction, or order, ruling, regulation, or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering, or sale of obligations of the general character of the Certificates, or the execution, offering, or sale of the Certificates, including any or all underlying obligations, as contemplated hereby, is or would be in violation of the federal securities laws as amended and then in effect.

(d) With respect to the Initial Closing, the Purchaser shall have received the following documents at or prior to the Closing Date, in each case satisfactory in form and substance to the Purchaser:

(1) Copies of the Trust Agreement, the Sale and Repurchase Agreement and the Placement Agent Agreement, each duly executed and delivered by the respective parties thereto;

(2) An opinion, dated the Closing Date and addressed to the City, the Purchaser and the Placement Agent, of counsel to the Corporation, in substantially the form attached hereto as Exhibit A;

(3) An opinion, dated the Closing Date and addressed to the Purchaser, the Placement Agent and the Corporation, of the City Attorney of the City, in substantially the form attached hereto as Exhibit B;

(4) An opinion of Purchaser's counsel, dated the Closing Date and addressed to the Purchaser, to the effect that the Certificates are exempt from registration under the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended, and addressing such other matters as the Purchaser shall determine;

(5) A signature and incumbency certificate of the Corporation and a certificate, dated the Closing Date, signed by an authorized officer of the Corporation, in substantially the form attached hereto as Exhibit C;

(6) A signature and incumbency certificate of the City and a certificate, dated the Closing Date, signed by an authorized officer of the City, in substantially the form attached hereto as Exhibit D;

(7) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of the Trust Agreement and the Certificates, together with a certificate to the effect that:

(i) the Trustee is a national banking association duly organized and existing under the laws of the United States of America;

(ii) the Trustee has full corporate trust powers and authority to serve as Trustee under the Trust Agreement; and

(iii) the Trustee's action in executing and delivering the Trust Agreement is in full compliance with, and does not conflict with, any applicable law or governmental regulation currently in effect, and does not conflict with or violate any contract to which the Trustee is a party or any administrative or judicial decision by which the Trustee is bound;

(8) An opinion of counsel to the Trustee, dated the date of Closing and addressed to the City, the Corporation and the Purchaser, to the effect that:

(i) the Trust Agreement has been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a legal, valid and binding obligation of the Trustee enforceable in accordance with its terms except that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity; and

(ii) the Certificates have been duly executed and delivered by the Trustee;

(9) A certified copy of the resolution of the Corporation authorizing the execution and delivery of the Legal Documents;

(10) A certified copy of the resolution of the City authorizing the execution and delivery of the Legal Documents;

(11) A certified copy of the Ordinance;

(12) A certified copy of the Comprehensive Joint Cooperative Agreement, executed in May 1997, together with a certification by the Department of Toxic Substances Control of the State Environmental Protection Agency ("DTSC") stating that the Legal Documents and the issuance of the Certificates do not violate or conflict with the Cooperative Agreement, and stating the amount then owing from the City to DTSC under the Cooperative Agreement;

(13) A final and non-appealable court judgment in a validation action commenced under California Code of Civil Procedure Section 860, in form and substance satisfactory to the Purchaser;

(14) Evidence that the City's Outside Counsel has subordinated its right to payment of legal fees and disbursements consistent with the terms of the Sale and Repurchase Agreement;

(15) A certification by the City (a) describing all amounts it has expended in connection with the Program to the date of Closing, describing all outstanding amounts owed to Outside Counsel or other predecessor firm, whether or not on a contingency basis, and certifying that all fees and disbursements incurred by Outside Counsel in connection with the Program prior to the Closing Date have either been paid in full or have been subordinated to the rights of the Purchaser hereunder; (b) stating the outstanding balance in the Municipal Fund, (c) stating the amount of Program Receipts received since July 30, 1999 through the date of Closing and (d) stating the amounts of DTSC Settlement Payments paid through the date of Closing;

(16) A certified copy of the Program Budget;

(17) A certificate of the Calculation and Verification Agent, stating that it is capable of performing the functions assigned to it under the Sale and Repurchase Agreement and the Trust Agreement and stating that it accepts its duties thereunder; and

(18) Such additional legal opinions, certificates, proceedings, instruments, and other documents as the Purchaser or Purchaser's counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the City's or Corporation's representations and warranties contained herein and the due performance or satisfaction by the City, the Corporation, and the Trustee on or prior to the Closing Date of all material agreements then to be performed and conditions then to be satisfied by any of them in connection with the transactions contemplated hereby and by the Trust Agreement and the Sale and Repurchase Agreement.

If the City, the Corporation or the Trustee shall be unable to satisfy the conditions set forth in this Purchase Contract to the obligation of the Purchaser to purchase, accept delivery of, and pay for the initial Series of the Certificates, or if the obligation of the Purchaser to purchase, accept delivery of, and pay for the initial Series of Certificates shall be terminated for any reason permitted by this Purchase Contract, then this Purchase Contract and all obligations of the Purchaser hereunder may be terminated by the Purchaser at, or at any time prior to, the Closing Date by written notice to the Trustee, the Corporation and the City, and neither the Purchaser nor the City shall have any further obligations hereunder.

(e) With respect to each Subsequent Closing, which shall occur no more often than quarterly, on the first Business Day of any January, April, July or October on or before the Commitment Period Ending Date, the Purchaser shall have received the following documents at or prior to the applicable Delivery Date, in each case satisfactory in form and substance to the Purchaser:

(1) An Issuance Request of the City, as provided in the Trust Agreement, dated the applicable Delivery Date, signed by an authorized officer of the City, and delivered to the Purchaser and the Trustee at least 15 Business Days prior to such Subsequent Closing Date, in substantially the form attached hereto as Exhibit D, requesting the Trustee to execute and deliver and requesting the Purchaser to purchase an amount of Certificates with a minimum principal component of \$250,000 and specifying the Delivery Date;

(2) Certificates of authorized officers of the City and the Corporation, respectively, dated the applicable Delivery Date, stating that, after investigation and review of the Program Documents, no event of default, nor any event which, after the passage of time or the giving of notice would constitute an event of default under a Program Document has occurred and is continuing;

(3) An opinion, dated the Delivery Date and addressed to the Purchaser and the Corporation, of the City Attorney of the City, in substantially the form attached hereto as Exhibit B;

(4) An opinion of Purchaser's counsel, dated the Delivery Date and addressed to the Purchaser, to the effect that the Certificates are exempt from registration under the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(5) An opinion of counsel to the Trustee, dated the Delivery Date and addressed to the City, the Purchaser and the Corporation, to the effect that the Certificates have been duly executed and delivered by the Trustee;

(6) A certified copy of a revised Program Budget; and

(7) Such additional legal opinions, certificates, proceedings, instruments, and other documents as the Purchaser or Purchaser's counsel may reasonably request to evidence the truth and accuracy, as of the date of the applicable Delivery Date, of the City's or Corporation's representations and warranties contained herein and the due performance or satisfaction by the City, the Corporation, and the Trustee on or prior to the applicable Delivery Date of all material agreements then to be performed and conditions then to be satisfied by any of them in connection with the transactions contemplated hereby and by the Trust Agreement and the Sale and Repurchase Agreement.

If the City, the Corporation or the Trustee shall be unable to satisfy the conditions set forth in this Purchase Contract to the obligation of the Purchaser to purchase, accept delivery of,

and pay for any subsequent Series of the Certificates, or if the obligation of the Purchaser to purchase, accept delivery of, and pay for any subsequent Series of Certificates shall be terminated for any reason permitted by this Purchase Contract, then this Purchase Contract and all obligations of the Purchaser hereunder may be terminated by the Purchaser at, or at any time prior to, the Delivery Date applicable to such subsequent Series of Certificates by written notice to the Trustee, to the Corporation and to the City, and neither the Purchaser nor the City shall have any further obligations hereunder.

9. Liquidated Damages. In the event that the Purchaser fails (other than for a reason permitted by this Purchase Contract) to accept and pay for any Series of Certificates on the applicable Delivery Date, the amount of ten percent (10%) of the aggregate principal amount of the Certificates authorized to be executed and delivered under the Trust Agreement but which have not yet been issued shall constitute liquidated damages for such failure and for any and all defaults hereunder on the part of the Purchaser, and the Purchaser's payment of such amount to the City shall constitute a full release and discharge of all claims and rights of the City against the Purchaser.

10. Expenses.

(a) The Purchaser shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City's obligations hereunder including, but not limited to: (i) the cost of preparation and printing of each Series of Certificates; (ii) the fees and expenses of counsel to the City and the Corporation; (iii) the Placement Fee, (iv) all legal fees, court costs, and all other expenses in connection with the validation action to be conducted under California Code of Civil Procedure Section 860 with respect to the Certificates; (iv) all fees and expenses of the Trustee and the Calculation and Verification Agent and (v) the fees and disbursements of any engineers, accountants, and other experts, consultants, or advisors retained by the City.

(b) The Purchaser shall pay (i) fees, if any, payable to the California Debt and Investment Advisory Commission in connection with the execution and delivery of each Series of Certificates; and (ii) all other expenses incurred by the Purchaser in connection with the sale, execution, and delivery of each Series of Certificates, including the fees and disbursements of Purchaser's counsel.

11. Notices. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing at the City's address set forth above, Attention: City Attorney, and to the Purchaser under this Purchase Contract may given by delivering the same in writing to _____, Attention: _____.

12. Parties in Interest. This Purchase Contract is made solely for the benefit of the City, the Corporation and the Purchaser (including the successors or assigns of the Purchaser), and no other person shall acquire or have any right hereunder or by virtue hereof. All of the City's and the Corporation's representations, warranties, and agreements contained in this Purchase Contract shall remain operative and in full force and effect regardless of (i) any investigations made by or on behalf of the Purchaser; (ii) delivery of and payment for any Series

of Certificates pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

13. Effectiveness and Counterpart Signatures. This Purchase Contract shall become effective upon the execution of the acceptance by authorized officers of the City and the Corporation and shall be valid and enforceable at the time of such acceptance. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. Headings. The headings of the sections of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

15. Severability of Invalid Provisions. If any one or more of the provisions contained in this Purchase Contract shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Purchase Contract and such invalidity, illegality, or unenforceability shall not affect any other provision of this Purchase Contract, and this Purchase Contract shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein. The City, the Corporation and the Purchaser each hereby declares that they would have entered into this Purchase Contract and each and every other section, paragraph, sentence, clause, or phrase hereof irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases of this Purchase Contract may be held illegal, invalid, or unenforceable.

16. Governing Law. This Purchase Contract shall be construed in accordance with the laws of the State of California.

Very truly yours,

ENVIRONMENTAL RESTORATION
COMPANY LTD.

By: _____
Name: _____
Title: _____

Accepted:

CITY OF LODI

By: _____
City Manager

Approved as to Form

City Attorney

LODI FINANCING CORPORATION

By: _____
President

Approved as to Form

Corporation Counsel

EXHIBIT A

FORM OF OPINION OF COUNSEL TO THE CORPORATION

[Closing Date]

Environmental Restoration Company Ltd.

Lehman Brothers Inc.

City of Lodi
221 West Pine Street
Lodi, California 95240

Lodi Financing Corporation
Not to Exceed \$16,000,000
Aggregate Principal Amount of
City of Lodi, California
Variable Rate Certificates of Participation
(Environmental Abatement Program)

Ladies and Gentlemen:

I have acted as counsel to the Lodi Financing Corporation, a California nonprofit public benefit corporation (the "Corporation"), in connection with the execution, delivery and sale of not to exceed \$16,000,000 aggregate principal amount of Lodi Financing Corporation Variable Rate Certificates of Participation (the "Certificates") pursuant to the terms of a Certificate Purchase Contract dated as of _____, 1999 (the "Certificate Purchase Contract") among the Corporation, the City of Lodi (the "City") and Environmental Restoration Company Ltd. The Certificates represent undivided proportionate interests in payments made pursuant to a Program Receipts Sale and Repurchase Agreement, dated as of **[Dated Date]** (the "Sale and Repurchase Agreement"), between the City and the Corporation and are executed and delivered pursuant to a Trust Agreement, dated as of **[Dated Date]** (the "Trust Agreement"), between the Corporation and U.S. Bank Trust National Association, as trustee thereunder (the "Trustee"). Unless otherwise defined herein, the terms defined in the Sale and Repurchase Agreement have the same meanings when used in this opinion.

In connection with the foregoing, I have examined originals, or copies certified or otherwise identified to my satisfaction, of such documents, corporate records, and other instruments as

I have deemed necessary or appropriate for the purposes of this opinion, including (a) the Certificate Purchase Contract, (b) the Sale and Repurchase Agreement, (c) the Placement Agent Agreement, dated as of **[Dated Date]**, between the City and Lehman Brothers Inc., (d) the Trust Agreement (collectively, the "Legal Documents") and (e) the Articles of Incorporation and Bylaws of the Corporation.

Based upon such examination, I am of the opinion that:

1. The Corporation is duly organized and validly existing under the laws of the State of California;
2. The Corporation has full corporate power and authority to execute and deliver the Legal Documents; and
3. The Legal Documents have each been duly authorized and delivered by the Corporation, and each constitutes a legally valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws or equitable principles relating to or affecting the enforcement of creditors' rights generally and to the application of equitable principles if equitable remedies are sought.

Respectfully submitted,

FORM OF OPINION OF CITY ATTORNEY

[Closing Date]

Environmental Restoration Company Ltd.

Lehman Brothers Inc.

Lodi Financing Corporation
221 West Pine Street
Lodi, California 95240

Lodi Financing Corporation
Not to Exceed \$16,000,000
Aggregate Principal Amount of
City of Lodi, California
Variable Rate Certificates of Participation
(Environmental Abatement Program)

Ladies and Gentlemen:

I have served as counsel to the City of Lodi (the "City") in connection with the execution, delivery, and sale of not to exceed \$16,000,000 aggregate principal amount of Lodi Financing Corporation Variable Rate Certificates of Participation (Environmental Abatement Program) (the "Certificates").

In connection with the foregoing, I have examined originals, or copies certified or otherwise identified to my satisfaction, of such documents, corporate records, and other instruments as I have deemed necessary or appropriate for the purposes of this opinion, including (a) the Program Receipts Sale and Repurchase Agreement, dated as of [Dated Date] (the "Sale and Repurchase Agreement"), between the Lodi Financing Corporation (the "Corporation") and the City, (b) the Placement Agent Agreement, dated as of [Dated Date] between the City and Lehman Brothers Inc., (c) the Trust Agreement, dated as of [Dated Date] (the "Trust Agreement"), between the Corporation and U.S. Bank Trust National Association, as trustee thereunder (the "Trustee"), and (d) the Certificate Purchase Contract, dated as of _____, 1999 (the "Certificate Purchase Contract"), among the City, the Corporation and Environmental Restoration Company Ltd. The Sale and Repurchase Agreement, the Trust Agreement, and the Certificate Purchase Contract are collectively referred to herein as the "Legal Documents."

Terms used herein that are defined in the Sale and Repurchase Agreement shall have the meanings specified therein.

Based upon such examination, I am of the opinion that:

1. The City is a general law city, duly created, organized, and existing under the laws of the State of California and duly qualified to implement and carry out the Program.

2. The City has the authority and right to execute, deliver, and perform the Legal Documents and the City has complied with the provisions of applicable law in all matters relating to the transactions contemplated by the Legal Documents.

3. The Legal Documents have been duly authorized, executed, and delivered by the City, are in full force and effect, and, assuming that the other parties thereto have all the requisite power and authority and have taken all the requisite action to execute and deliver the Legal Documents to which they are a party, constitute the legal, valid, and binding agreements of the City enforceable against it in accordance with their respective terms, subject in each case to laws relating to bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally and to the application of equitable principles if equitable remedies are sought.

4. No approval, consent, or authorization of any governmental or public agency, authority, or person is required for the execution and delivery by the City of the Legal Documents, or the performance by the City of its obligations thereunder, or the execution and delivery of the Certificates. The California Department of Toxic Substances Control has stated in writing that the execution of the Legal Documents and the execution and delivery of the Certificates do not violate or conflict with the Cooperative Agreement, as defined in the Sale and Repurchase Agreement.

5. The execution and delivery of the Legal Documents by the City and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence, or operation of the City, any commitment, agreement, or other instrument to which the City is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order, or decree to which the City (or any of its officers in their respective capacities as such) is subject, or any provision of the laws of the State of California relating to the City and its affairs.

7. There is no action, suit, proceeding, inquiry, or investigation at law or in equity, or before any court, public board, or body, pending or, to the best of my knowledge, threatened against or affecting the City or any entity affiliated with the City or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the City referred to in paragraph 2 above or in connection with the transactions contemplated by, or the validity of the proceedings taken by the City in connection with the authorization, execution, or delivery of, the Legal Documents, or wherein any unfavorable decision, ruling, or finding would adversely affect the transactions contemplated by the Legal Documents, or which, in any way, would adversely affect the validity or enforceability of the Legal Documents or, in any material respect, the ability of the City to perform its obligations under the Legal Documents.

Very truly yours,

Randall A. Hays, Esq.
City Attorney

FORM OF CERTIFICATE OF THE CORPORATION

Lodi Financing Corporation
Not to Exceed \$16,000,000
Aggregate Principal Amount of
City of Lodi, California
Variable Rate Certificates of Participation
(Environmental Abatement Program)

I, _____, the _____ of the Lodi Financing Corporation (the "Corporation"), hereby certify as follows:

1. This certificate is provided pursuant to Section 8(d)(5) of that certain Certificate Purchase Contract, dated as of _____, 1999, by and among the City of Lodi, the Corporation and Environmental Restoration Company Ltd. All capitalized terms used herein that are not otherwise defined shall have the same meanings as in such Certificate Purchase Contract.

2. The Corporation has full legal right, power, and authority (i) to enter into the Sale and Repurchase Agreement, the Certificate Purchase Contract and the Trust Agreement (together, the "Legal Documents") and (ii) to carry out and consummate the transactions contemplated by the Legal Documents;

3. By all necessary corporate action of the Corporation prior to or concurrently herewith, the Corporation has duly authorized and approved the execution and delivery of, and the performance by the Corporation of the obligations on its part contained in, the Legal Documents, and the consummation by it of all other transactions contemplated by the Legal Documents;

4. The Corporation has complied with all the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to the date hereof pursuant to the Legal Documents;

5. The Corporation is not in any material respect in breach of or default under any applicable law or administrative regulation to which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Trust Agreement), or other instrument to which the Corporation is a party or to which the Corporation or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Legal Documents, and compliance with the provisions on the Corporation's part contained therein, will not conflict with or constitute a breach of or a default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement,

indenture, bond, note, resolution, agreement, or other instrument to which the Corporation is a party or to which the Corporation or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation or under the terms of any such provision, law, regulation, or instrument, except as provided in the Trust Agreement;

6. There is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, government agency, public board, or body, pending or, to the best knowledge of the Corporation after reasonable investigation, threatened against the Corporation, affecting the existence of the Corporation or the titles of its officers to their respective offices, or contesting or affecting, as to the Corporation, the validity or enforceability of the Legal Documents; nor is there any known basis for any such action, suit, proceeding, inquiry, or investigation, wherein an unfavorable decision, ruling, or finding would materially adversely affect the authorization, execution, delivery, or performance by the Corporation of the Legal Documents;

[Closing Date]

LODI FINANCING CORPORATION

By: _____
President

Approved as to Form:

Corporation Counsel

FORM OF ISSUANCE REQUEST

REQUEST AND CERTIFICATE OF THE CITY

Lodi Financing Corporation
Not to Exceed \$16,000,000
Aggregate Principal Amount of
City of Lodi, California
Variable Rate Certificates of Participation
(Environmental Abatement Program)

To: U.S. Bank Trust National Association
Corporate Trust Services
One California Street, 4th Floor
San Francisco, CA 94111

Attention: Sue Vargas, Vice President
Relationship Specialist

The City of Lodi, California (the "City") hereby requests and directs the Trustee, on behalf of the Lodi Financing Corporation (the "Corporation"), to execute and deliver \$_____ of the Corporation's Variable Rate Certificates of Participation ("Certificates") (Environmental Abatement Program), Series ____ to **[Purchaser]** on _____ **[Delivery Date]**.

We, the City Attorney and Finance Director **[City Manager]**, respectively, of the City, hereby certify as follows:

1. The representations and warranties of the City contained in (a) the Certificate Purchase Contract, dated _____, 1999 (the "Certificate Purchase Contract"), among the City, the Corporation and Environmental Restoration Company Ltd. with respect to the sale, execution, and delivery of not to exceed \$16,000,000 aggregate principal amount of the Certificates and (b) the Program Receipts Sale and Repurchase Agreement, dated _____, 1999 (the "Sale and Repurchase Agreement") between the City and the Corporation are true and correct in all material respects on and as of the date hereof as if made on this date.

2. There is no action, suit, proceeding, inquiry, or investigation, at law or in equity before or by any court, government agency, public board, or body, pending or, to the best of my knowledge, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain, or enjoin the sale, execution, or delivery of the Certificates or the collection of the Program Receipts (as defined in the Sale and Repurchase Agreement) to be used to pay the principal and interest components of the Certificates, or the pledge of funds and accounts pursuant to the Trust Agreement (as defined

in the Sale and Repurchase Agreement), or contesting the powers of the Trustee thereunder with respect to the execution of the Certificates; nor, to the best of our knowledge, is there any basis for any such action, suit, proceeding, inquiry, or investigation, wherein an unfavorable decision, ruling, or finding would materially adversely affect the authorization, execution, delivery, or performance by the City of the obligations on its part contained in the Program Documents, as defined in the Certificate Purchase Contract.

3. After investigation and review of the Program Documents, no event of default, nor any event which, after the passage of time or the giving of notice would constitute an event of default under a Program Document has occurred and is continuing.

4. The City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the date hereof pursuant to the Program Documents, including compliance with the Program Budget and including any reallocation of amounts therein.

5. The City represents that it will use the proceeds of this issuance in conformance with the Program Budget set forth in Exhibit A to the Sale and Repurchase Agreement. The principal amount of Certificates to be executed and delivered hereunder does not exceed the Cumulative Disbursement Cap for the calendar quarter immediately following the Delivery Date, as set forth in the Program Budget, less the principal amount of any Certificates previously executed and delivered.

6. Between the date of the Certificate Purchase Contract and the date hereof, the City has not, without the prior written consent of the Original Purchaser, together with such other Certificate Holders as are necessary to constitute, in the aggregate, at least 51% of outstanding Accreted Value, offered or issued any bonds, notes, or other obligations for borrowed money, or incurred any material liabilities, direct or contingent, payable from Program Receipts.

7. All capitalized terms used herein that are not otherwise defined shall have the same meanings as in the Certificate Purchase Contract and the Sale and Repurchase Agreement.

8. The City hereby requests and directs the Trustee, after the Trustee's review of this Request and Certificate, to deliver a copy of this Request and Certificate to the Purchaser under the Certificate Purchase Contract at least 10 Business Days prior to the Delivery Date.

[Delivery Date]

CITY OF LODI

By: _____
[City Attorney]

By: _____
[City Manager or Finance Director]

FORM OF TERMINATION NOTICE

Lodi Financing Corporation
Not to Exceed \$16,000,000
Aggregate Principal Amount of
City of Lodi, California
Variable Rate Certificates of Participation
(Environmental Abatement Program)

To: U.S. Bank Trust National Association
Corporate Trust Services
One California Street, 4th Floor
San Francisco, CA 94111

Attention: Sue Vargas, Vice President
Relationship Specialist

1. Pursuant to the Certificate Purchase Contract dated _____ (the "Certificate Purchase Contract"), among the City of Lodi, California (the "City"), the Lodi Financing Corporation (the "Corporation") and Environmental Restoration Company Ltd., the City hereby certifies, represents and warrants that it will make no additional Issuance Requests to the Trustee and is hereby irrevocably and permanently discontinuing all Issuance Requests.

Last Issuance Request made on: _____

Last Issuance Request amount: _____

Date of Delivery of Certificates under last Issuance Request: _____

2. The undersigned hereby certifies that this Notice is in compliance with the Certificate Purchase Agreement and the Program Receipts Sale and Repurchase Agreement, dated _____, between the City and the Corporation (the "Sale and Repurchase Agreement").

3. All capitalized terms used herein that are not otherwise defined shall have the same meanings as in the Certificate Purchase Contract and the Sale and Repurchase Agreement.

4. The City has delivered a copy of this Termination Notice to the Purchaser under the Certificate Purchase Contract and to the Calculation and Verification Agent.

CITY OF LODI

By: _____
[Title]

cc: Original Purchaser
Calculation and Verification Agent

[Closing Date]

The City of Lodi
221 West Pine Street
Lodi, California 95241-1910

Re: Placement Agent Agreement

Ladies and Gentlemen:

The purpose of this letter (the "Agreement") is to confirm the engagement of Lehman Brothers Inc. ("Lehman") by the City of Lodi (the "City") to act as the exclusive placement agent on behalf of the City to use its best efforts in placing with Environmental Restoration Company Ltd. (the "Investor") the Lodi Financing Corporation (Environmental Abatement Program) Variable Rate Certificates of Participation (the "Certificates") in an aggregate principal amount not to exceed \$16,000,000, to be purchased in several Series from time to time in accordance with the terms of the Certificate Purchase Contract, dated as of _____ (the "Purchase Contract"), by and among the City, the Lodi Financing Corporation (the "Corporation") and Environmental Restoration Company Ltd., as Purchaser (the "Original Purchaser"). Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Purchase Contract and the Program Receipts Sale and Repurchase Agreement, dated as of **[Dated Date]** (the "Sale and Repurchase Agreement"), by and between the City and the Corporation. This letter does not obligate Lehman or the Investor to purchase any Certificates issued in conjunction with this financing for any reason.

1. Description of Financing. The Certificates will evidence and represent interests of the owners thereof in the Repurchase Payments to be made by the City under the Sale and Repurchase Agreement. Under the provisions of the Sale and Repurchase Agreement, the City will irrevocably sell and convey to the Corporation its right to receive all amounts, proceeds and recoveries from, or in contemplation of, or in connection with, the potential liability of responsible parties or potentially responsible parties, their insurers or indemnitors or of tortfeasors or potential tortfeasors, their insurers or indemnitors ("Program Receipts") received by the City in connection with its Environmental Abatement Program (the "Program"), as described in the City's Comprehensive Municipal Environmental Response and Liability Ordinance, as amended (the "Ordinance"), and the Corporation will irrevocably resell and reconvey, undivided interests in the Program Receipts in consideration of the payment by the City of the Repurchase Payments under the Sale and Repurchase Agreement.

The Certificates shall be executed and delivered in Series from time to time pursuant to a Trust Agreement, dated as of [Dated Date] (the "Trust Agreement"), by and among the Corporation and U.S. Bank National Trust Association, as trustee (the "Trustee"), and shall represent undivided proportionate interests in the Corporation's right to receive Repurchase Payments under the Sale and Repurchase Agreement. The City's obligation to make Repurchase Payments under the Sale and Repurchase Agreement is a limited obligation of the City, payable solely from Program Receipts. The Purchase Contract, the Trust Agreement and the Sale and Repurchase Agreement are collectively referred to herein as the "Legal Documents."

Each Series of the Certificates shall be executed and delivered on the applicable Delivery Date and in the aggregate principal amount specified by the City in an Issuance Request submitted by the City in accordance with the terms of the Trust Agreement. The maximum principal amount of Certificates that may be executed and delivered on any Delivery Date is an amount equal to the Cumulative Disbursement Cap for the immediately succeeding calendar quarter as set forth in the Program Budget, less any principal amount of Certificates previously executed and delivered. The purchase price for each Series of the Certificates shall be equal to the aggregate principal amount of such Series of the Certificates, and no Series of Certificates will be executed and delivered in an aggregate amount of less than \$250,000. No Delivery Date shall occur after the Commitment Period Ending Date.

2. Obligations of Lehman. Subject to the negotiation of final terms and conditions and acceptable documentation, and the satisfaction of other customary closing conditions, including the receipt of acceptable legal opinions, all to be set forth in the Certificate Purchase Contract, Lehman will use its best efforts to place the Certificates with the Investor. The City acknowledges that neither Lehman nor any of its affiliates has acted as an advisor to the City in connection with the financing plan, and the City represents that it has received independent financial and legal advice with respect to the transaction.

3. Representations, Warranties and Agreements. The City and the Corporation have made numerous representations, warranties and agreements in the Legal Documents. Lehman is entitled to rely upon such representations, warranties and agreements as if such statements were incorporated in their entirety herein as of the date of the Initial Closing and of each Subsequent Closing.

4. Compensation; Payment of Placement Fee. The City acknowledges that the structuring of the financing plan and the negotiation and preparation of final documentation have and will continue to involve the expenditure of a substantial amount of time and resources by Lehman and its counsel. Both Lehman and the City further acknowledge that the financing plan may, at any time, be abandoned by the City. Finally, other contingencies may arise that may prevent the Certificates from being issued or prevent Lehman from successfully placing the Certificates. Regardless of any such abandonment or other such contingencies, the Placement Fee referred to in the next paragraph will be payable to Lehman.

In consideration of the significant expenditures and efforts made to date by Lehman and its counsel, and the commitment of Lehman to work with the City toward the negotiation of mutually agreeable documentation, and notwithstanding the risks described above, the City agrees to pay to Lehman a placement fee of \$1,000,000 (the "Placement Fee"). The Placement Fee will be paid to Lehman at closing from the first proceeds of the Certificates. If for any reason no Certificates are issued on or before February 1, 2000, or if for any reason the City should abandon its efforts to issue the Certificates prior to such date, the City agrees to pay the Placement Fee to Lehman, but solely from any Program Receipts theretofore or thereafter collected by the City. Such payment will be made by the City within five business days after February 1, 2000 or the date of abandonment, whichever date occurs first (the "Due Date"). If the City has not received any Program Receipts, or has received insufficient Program Receipts to make such payment in full by the Due Date, the City shall make a partial payment from any Program Receipts on hand and shall apply the first Program Receipts it receives thereafter to payment of the unpaid portion of the Placement Fee until the total amount of the Placement Fee has been paid to Lehman. The Placement Fee shall in any event be nonrefundable, and the obligation to pay the Placement Fee shall survive the termination of this Agreement.

5. Indemnification.

(a) General Indemnity. The City shall, to the extent permitted by law, indemnify and hold harmless the Corporation, the Trustee (as the assignee of the Corporation's rights under the Sale and Repurchase Agreement), Lehman, the Calculation and Verification Agent, the Original Purchaser, each Certificate Holder and their members, directors, officers, employees, and agents from and against any and all losses, claims, damages, liabilities, or expenses of every kind, character, and nature whatsoever (excepting therefrom only such losses, claims, damages, liabilities, or expenses arising from the negligence of the Corporation or the Trustee), including, but not limited to, losses, claims, damages, liabilities, or expenses arising out of, resulting from, or in any way connected with (1) the City's interest in, or use of, the Program Receipts or any portion thereof; (2) the sale of the Certificates and the carrying out of any of the transactions contemplated by the Certificates, the Purchase Contract, the Trust Agreement, the Sale and Repurchase Agreement or any related document; (3) the carrying out of the Program; or (4) the acceptance of and administration by the Trustee of the Trustee's duties under the Trust Agreement. The City shall, to the extent permitted by law and, with respect to the indemnification of Lehman, the Calculation and Verification Agent, the Original Purchaser and each Certificate Holder (each a "Special Indemnified Party"), to the extent permitted by clause (b) below, pay or reimburse the Corporation, the Trustee, the Special Indemnified Parties and their members, directors, officers, employees and agents for any and all costs, reasonable attorneys fees, liabilities or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions. Notwithstanding anything to the contrary in the Sale and Repurchase Agreement or the

Trust Agreement, the Trustee and the Corporation shall not be entitled to payment, reimbursement or indemnification for actions involving willful misconduct, default or negligence on the part of the Trustee or the Corporation, respectively.

(b) Limited Source Indemnity. The obligation of the City to defend, indemnify, and hold harmless the Special Indemnified Parties for any suits or claims arising from the sale of the Certificates or the City's pursuit of the Program (as described in the preceding paragraph), shall be payable solely from (i) Program Receipts, and (ii) any proceeds of insurance or self-insurance programs in which the City has participated or will participate. With regard to item (i), if currently available Program Receipts are insufficient to pay attorney fees and expenses and other litigation related costs at the time they are incurred, the Special Indemnified Parties may fund the excess of such fees and expenses, and any future Program Receipts will be used to reimburse the Special Indemnified Parties for such amounts. With regard to item (ii), the City agrees to cooperate fully with the Special Indemnified Parties in submitting and pursuing claims against such City insurers, although the City will have no obligation to maintain any insurance coverage.

(c) Special Conditions. The City's indemnity obligation to the Special Indemnified Parties under section (b) above is subject to the following conditions:

(1) The City will pay attorneys' fees and costs of a single law firm chosen by the Special Indemnified Parties to collectively represent the Special Indemnified Parties, and such counsel shall, to the extent consistent with the Special Indemnified Parties' interests, cooperate with the City and avoid duplication and wastefulness in the assertion of defenses;

(2) The City will pay attorneys' fees and costs of additional law firms to represent an individual Special Indemnified Party where (i) the counsel retained under (c)(1) above could not, as a result of applicable law or code of professional responsibility, assert a defense on behalf of such an individual Special Indemnified Party while simultaneously representing the other Special Indemnified Parties for reasons including, but not limited to, a situation in which the use of counsel chosen by the Special Indemnified Parties to represent the Special Indemnified Party or Parties would present such counsel with a conflict of interest, or in which the actual or potential defendants in, or targets of, any such action include the Special Indemnified Party or Parties and the City and the Special Indemnified Party or Parties shall have reasonably concluded that there may be legal defenses available to it and/or other Special Indemnified Parties that are different from or additional to those available to the City, or (ii) the City shall authorize the Special Indemnified Parties to employ separate counsel at the expense of the City; and

(3) The City will not, without the prior written consent of the Special Indemnified Parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in which indemnification or contribution may be sought hereunder (whether or not the Special Indemnified Parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each Special Indemnified Party from all liability arising out of such claim, action, suit or proceeding.

The provisions of this Section 5 shall survive the termination of this Agreement, the Certificate Purchase Contract and the discharge of the City's obligations under the Trust Agreement.

6. Cooperation with Private Placement. The City and the Corporation agree to assist the Investor and Lehman in preparing materials for use in any private placement of the Certificates which the Investor or Lehman may determine to offer, which assistance shall include but not be limited to the preparation of a private placement memorandum. At the time of any such private placement, the City and the Corporation will represent and warrant that the information provided by each of them, respectively, is true and correct, and the City and the Corporation shall provide the same indemnification and opinions as are provided under the Certificate Purchase Contract and shall be subject to the same obligations, as applicable, as thereunder. The provisions of this Section 6 shall survive the termination of this Agreement and the discharge of the City's obligations under the Trust Agreement.

7. Agreement Supersedes Letter of July 30, 1999. This agreement shall supersede and replace the letter agreement dated July 30, 1999, as amended on _____, 1999, which upon execution hereof shall be of no further force and effect.

8. Governing Law. The terms of this agreement will be governed by and construed in accordance with the laws of the State of California.

9. Termination; Survival. This Agreement shall terminate one year from the date of acceptance hereof unless extended by the mutual written consent of the City and Lehman. In addition, this agreement may be terminated any time at the option of Lehman if, in the opinion of Lehman, circumstances exist which adversely affect the marketability of the Certificates. The provisions of Sections 4 and 5 hereof shall survive any termination of this agreement. The City shall be obligated to pay Lehman the Placement Fee described above, from Program Receipts, for any placement of Certificates with parties introduced to the City by Lehman if such placement, either in preliminary or final form, occurs within one year after termination of this Agreement.

The City of Lodi
[Closing Date]
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Should the City agree with the above terms, Lehman requests that the City execute a copy of this letter and return the same to us at the address indicated below.

Sincerely,

Lehman Brothers Inc.
555 California Street
30th Floor
San Francisco, California 94104

By: _____

Agreed to this ____ day of ____, 1999:

THE CITY OF LODI

By: _____
Mayor

[Attest]

LODI FINANCING CORPORATION

By: _____
President

[Attest]